Alltronics Holdings Limited

華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 833

ANNUAL REPORT 2015

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAM Yin Kee *(Chairman and Chief Executive)*
Ms. YEUNG Po Wah
Ms. LIU Jing
Mr. LAM Chee Tai, Eric
Mr. SO Kin Hung

Non-executive Director

Mr. FAN, William Chung Yue

Independent Non-executive Directors

Mr. PANG Kwong Wah
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1108, 11/F
Eastwood Centre
No. 5 A Kung Ngam Village Road
Shau Kei Wan
Hong Kong

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

INDEPENDENT AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

Mr. PANG Kwong Wah *(Chairman)*
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

In Cayman Islands
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

WEBSITE

http://www.irasia.com/listco/hk/alltronics/index.htm

On behalf of the board (the "Board") of directors (the "Directors") of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2015.

BUSINESS REVIEW

The overall performance of the Group during 2015 remained stable. Total revenue for the year had decreased slightly by 7.4% to HK$886.3 million. The overall gross profit margin had improved from 17.5% to 18.5%, mainly due to the consistent control over production costs and overheads and improvement in production efficiency. During the year, there was a fair value gain on derivative financial instruments on forward foreign exchange contracts of HK$8.0 million. On the other hand, in view of the uncertainties ahead for the Group's biodiesel business segment, full impairment on goodwill for the biodiesel business segment of HK$8.3 million had been made. As a result, the net profit attributable to shareholders had dropped slightly from HK$45.2 million to HK$41.4 million.

In terms of business segment, total revenue from electronic products segment had decreased from HK$922.6 million to HK$877.1 million. Sales of the Group's major product, irrigation controllers, had reduced by HK$22.9 million. The consistent fall in oil commodity prices had led to drop in unit selling prices of biodiesel products. Demand for biodiesel products also dropped as customers are less tempted to shift to use biodiesel products when the oil commodity prices remained at low level. As a result, the revenue from biodiesel products had decreased from HK$13.0 million to HK$5.5 million. In order to reduce the operating costs for this business segment, the Group had ceased to lease the biodiesel production facilities located at Tuen Mun.

Regarding the LED energy saving business segment, as of 31 December 2015, the Group had completed the installation work and inspection procedures at over 200 retail stores of Suning Commerce Group Co., Ltd. ("Suning"), and about another 200 retail stores had completed the installation work pending for completion of the inspection procedures. During the year, the Group had also completed the installation work and inspection procedures at a hotel at Beijing operated by HNA Group Co., Ltd..

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for over 50% of the total revenue for the year. The Group will continue its efforts to secure new customers in different markets so that the revenue by geographical location can be spread more evenly.

PROSPECTS

Although the global economy in 2016 will still be uncertain, I have confidence to maintain the electronic products business with existing customers, and to explore new products and new customers. During the year, the Group has entered into a co-operative agreement with a Shenzhen subsidiary of China Unicom (Hong Kong) Limited ("China Unicom") to develop Wi-Fi services for China Unicom's customers. The Wi-Fi equipment manufactured by the Group are under the testing stage and the installation work for China Unicom's customers is expected to commence in the second half of 2016.

In 2016, the Group will continue the installation work at Suning retail stores, and expects to complete the installation work at approximately 200 retail stores. The Group also expects to enter into more energy management agreements with other hotels operated by the HNA Group Co., Ltd..

The consistent drop in the global oil commodity prices has resulted in downward adjustment to the unit selling price of biodiesel products. Furthermore, customers are becoming less tempted to shift to use biodiesel products when the oil commodity prices drop. I expect the demand for the Group's biodiesel products will remain at low levels during 2016.

In 2016, the Group will allocate more resources to expand its energy efficient gas stoves business. As of 31 December 2015, the Group has installed about 20 energy efficient gas stoves for its customers. The Group will install more energy efficient gas stoves for its customers during 2016.

The 49% owned associate had commenced operations during the second half of 2015 and first shipment of printers and accessory products had been delivered to customers in the fourth quarter of 2015. I expect the contribution from this associate will become more significant during 2016.

On 20 November 2015, the Group had entered into a formal sale and purchase agreement for the acquisition of the properties located at 4th Floor, Citicorp Center, 18 Whitfield Road, Hong Kong together with four car parking spaces. The acquisition, which was completed on 27 January 2016, will provide a permanent head office to the Group in Hong Kong with a potential of capital appreciation in the long run. The Group will continue to look for new investment opportunity so as to diversify its business and to provide a better return to all shareholders.

DIVIDENDS

The Board recommends a final dividend of HK5.0 cents per ordinary share, together with the interim dividend of HK5.0 cents per ordinary share paid in October 2015, the total dividend for the year will be HK10.0 cents per ordinary share. The Board believes that after the payment of the proposed final dividend, the financial position of the Group remains to be strong and the Group still has sufficient liquid funds to finance its operations and to prepare for future growth.

APPRECIATION

On behalf of the Board, I would like to thank the management team and all of our staff for their hard work and contribution in the past year. I would also like to take this opportunity to express our warmest welcome to Ms. Liu Jing for joining the Board since 5 March 2016. Lastly, I wish to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 31 March 2016

FINANCIAL REVIEW

Revenue

Total revenue for the year ended 31 December 2015 had decreased by 7.4% to HK$886.3 million, as compared to HK$957.5 million for the year 2014. The revenue analysis by business segment for the two years ended 31 December 2015 and 2014 respectively are as follows:

	2015	2014
	HK$'000	HK$'000
Revenue from sales of electronic products	**877,053**	922,594
Revenue from sales of biodiesel products	**5,464**	13,047
Revenue from energy saving business	**3,788**	21,810
	886,305	957,451

Sales of electronic products comprise sales of finished electronic products; plastic moulds; plastic and other components for electronic products. The decrease in total sales revenue from electronic products was mainly due to the drop in sales of finished electronic products, which had decreased from HK$711.1 million in 2014 to HK$642.8 million in 2015. This was mainly due to the slow down of orders from customers in the United States. During the year, the demand for the Group's major product, irrigation controllers, had decreased by HK$22.9 million. Demand from customers in other geographical locations had remained stable. Total sales of components for electronic products, including transformers and adapters, had decreased from HK$144.5 million in 2014 to HK$141.3 million in 2015. On the other hand, sales revenue from plastic moulds and plastic components for electronic products had increased from HK$67.0 million in 2014 to HK$93.0 million in 2015.

The sales revenue from biodiesel products had dropped by 58.1%. As a result of the continuous drop in the global oil commodity prices, the unit selling price for biodiesel products had also dropped during the year. Furthermore, biodiesel products will be less attractive to customers when oil commodity prices drop and there is less incentive for them to shift to use biodiesel products. During the year, the Group had ceased to lease the biodiesel production facilities located at Tuen Mun so as to reduce the operating costs for this business segment.

Regarding the energy saving business segment, total revenue generated during the year 2015 was HK$3.8 million, as compared to HK$21.8 million in 2014. During the year, the LED lighting equipment project (the "Suning EMC Project") with Suning Commerce Group Co., Ltd. ("Suning") continued and about 200 retail stores of Suning had completed the installation work but pending completion of the inspection procedures. Energy saving revenue from these stores will be recognised when the inspection procedures are completed. As of 31 December 2015, the Group had completed the installation work at over 400 Suning retail stores in aggregate. The Group will continue the installation work at other Suning retail stores in 2016. During the year, the Group had also completed the installation work and the inspection procedures at a hotel at Beijing operated by HNA Group Co., Ltd..

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 51.5% of the total revenue for the year (2014: 53.2%). Sales to customers in Hong Kong had decreased by HK$5.7 million while sales to customers in Europe had decreased by HK$8.0 million. Sales to other geographical locations had remained stable. The Group will continue its efforts to secure new customers in different markets so that the revenue by geographical location can be spread more evenly.

Gross profit

The overall gross profit margin had improved from 17.5% for the year 2014 to 18.5% for 2015. The increase in overall gross profit margin was mainly due to adjustment in selling prices, the devaluation of Renminbi against United States dollars and Hong Kong dollars, and the Group's continued effort to tighten the controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

Operating expenses and other gains/losses

During the year, total administrative expenses had increased slightly from HK$82.2 million in 2014 to HK$88.5 million in 2015. The increase was mainly due to annual salary increment in staff salaries and general inflation. The total distribution costs and total finance costs had remained stable. There was a fair value loss on derivative financial instruments of HK$12.3 million for the year 2014, compared to a fair value gain of HK$8.0 million for 2015. In view of the consistent reduction in demand for biodiesel products and the close of biodiesel production facilities located in Hong Kong, an impairment of HK$8.3 million on the goodwill for biodiesel business segment had been made during the year.

Net profit attributable to owners of the Company

Net profit attributable to owners of the Company for the year was HK$41.4 million, compared to HK$45.2 million for 2014.

PRODUCTION FACILITIES

The Group currently has three production facilities in The People's Republic of China (the "PRC") for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yangxi. During the year, the Group spent approximately HK$5.0 million to acquire plant and machinery, approximately HK$3.2 million to acquire motor vehicles and spent approximately HK$0.9 million on leasehold improvements to enhance its production capacity.

The Group believes that the current production facilities for the electronic products segment are sufficient for their production requirements in the near future.

During the year, the demand for biodiesel products had reduced consistently and the Group had ceased to lease the biodiesel production facilities located at Tuen Mun, Hong Kong.

The Group has set up an office with LED testing facilities in Shenzhen to carry out its energy saving business.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2015, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK$196.8 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2015, total borrowings of the Group amounted to HK$194.0 million, comprising bank overdrafts of HK$7.7 million, bank loans of HK$135.7 million, bills payable and trust receipt loans of HK$47.6 million and obligations under finance leases of HK$3.0 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for each of these borrowings at 31 December 2015 ranged from 2.9% to 5.6% per annum.

The Group's trade receivable turnover, inventory turnover and trade payable turnover for the year were approximately 51 days, 94 days and 79 days respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 31 December 2015, the Group's total current assets had increased by 34.6% to HK$587.0 million compared to HK$436.1 million as at 31 December 2014, and the Group's total current liabilities had increased by 19.3% to HK$363.2 million compared to HK$304.4 million as at 31 December 2014. The current ratio (current assets/current liabilities) as at 31 December 2015 was 1.62 times, which had improved from 1.43 times as at 31 December 2014.

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 28 May 2015, the Company has allotted and issued 34,586,200 bonus shares, credited as fully paid at par, on the basis of one new bonus share for every ten shares held by the shareholders of the Company whose names appeared on the register of members of the Company on 8 June 2015. On 7 December 2015, the Company placed 69,172,000 new ordinary shares, at HK$1.88 per share, to an independent third party pursuant to a placing agreement dated 20 November 2015. Net proceeds from the placing amounted to approximately HK$128.1 million. During the year, the Company had not issued any other new shares and had not repurchased any of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At 31 December 2015, the Company had in issue a total of 449,620,200 ordinary shares. During the year, there were no share options granted, exercised, lapsed or cancelled. The Company's share option scheme as adopted on 22 June 2005 had expired on 21 June 2015. As at 31 December 2015, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2015 was HK$196.8 million, which had increased by HK$148.6 million compared to the balance at 31 December 2014.

The net cash generated from operating activities for the year was HK$53.9 million. The net cash used in investing activities amounted to HK$57.6 million, which was mainly due to HK$8.5 million paid for the acquisition of property, plant and equipment; HK$32.6 million paid as deposits for the acquisition of leasehold properties; HK$12.0 million paid for investment in an associate; and HK$5.0 million paid for the purchase of available-for-sale financial assets.

On the other hand, there was a net cash inflow of HK$152.8 million from financing activities. During the year, new borrowings of HK$193.8 million were obtained and HK$135.5 million was used to repay borrowings and finance leases, and HK$46.7 million was paid to shareholders as dividend. Net proceeds of HK$128.1 million had been received from new shares placed during the year.

CAPITAL EXPENDITURE

During the year, the Group acquired property, plant and equipment at a total cost of HK$11.1 million, mainly financed by finance leases and internal resources of the Group. The Group has also paid deposits of HK$32.6 million, out of internal resources, for the acquisition of properties which completed on 27 January 2016 as the Group's new head office in Hong Kong.

PLEDGE OF ASSETS

At 31 December 2015, the Group had total bank borrowings (excluding obligations under finance leases) of HK$191.0 million, out of which HK$27.0 million were secured by short-term bank deposits of HK$10.5 million and trade receivables of HK$0.4 million.

GEARING RATIO

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

As at 31 December 2015, the Group did not have a debt position (At 31 December 2014: there was a gearing ratio of 12%).

CONTINGENT LIABILITIES

At both 31 December 2015 and 31 December 2014, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2015, the Group had 2,814 employees, of which 77 were employed in Hong Kong and 2,737 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding directors' emoluments, incurred by the Group for the year amounted to HK$181.6 million.

The Company has also adopted a share option scheme on 22 June 2005. The share option scheme had expired on 21 June 2015. During the year, no share options had been granted, exercised, lapsed or cancelled. As at 31 December 2015, there were no share options remained outstanding under the share option scheme.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and they have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, the Group entered into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. As at 31 December 2015, the aggregate notional amount over the remaining contract periods of outstanding forward foreign exchange contracts to buy Renminbi is approximately US$6.0 million (equivalent to approximately HK$46.8 million). These are for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

OUTLOOK

In view of the recent fluctuations in the global stock markets and foreign exchange rates, the Group foresees that the global economic environment in 2016 will remain uncertain. Factors such as the risk of fluctuation of exchange rate of Renminbi against United States dollars and Hong Kong dollars; the fluctuation in raw material costs and commodities prices; and the risk of global inflation will continue to be the critical elements affecting the performance of the Group's electronic products segment. The Group will continue its efforts to tighten controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

In August 2015, the Group has entered into a co-operative agreement with a Shenzhen subsidiary of China Unicom (Hong Kong) Limited ("China Unicom") to develop Wi-Fi services and act as a sales agent for China Unicom 4G service plans in Shenzhen. The Group will invest, build and manage the Wi-Fi facilities for China Unicom and plans to target the factories in Shenzhen as pilot locations in the first stage. The Wi-Fi equipment manufactured by the Group are under the testing stage and the Group expects to commence the installation work for China Unicom during the second half of 2016. The Group's unlisted equity investment in available-for-sale financial assets provides a strong base for the Group's development in Wi-Fi equipment business.

On the other hand, negotiations with potential customers for medical equipment are still in progress and product samples had been sent to potential customers for evaluation and approval. The demand for the Group's irrigation controllers and other major electronic products will remain to be strong, and the Group has confidence that the performance of the electronic business segment will remain stable during 2016.

In terms of geographical market, the sales to United States customers accounted for over 50% of the total sales for the year. The Group foresees that United States will still be the major market for its products in 2016. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Regarding the 49% owned associate established in the PRC for the manufacture and sale of printers and other accessory products, the factory located at Yi Chun had commenced operations in the second half of 2015 and first shipment to customers had been made in the fourth quarter of 2015. The contribution from this associate will increase during 2016.

The demand for the Group's biodiesel products remained at low levels during the year. The consistent drop in the global oil commodity prices has resulted in downward adjustment to the unit selling price of biodiesel products. Furthermore, customers are becoming less tempted to shift to use biodiesel products when the oil commodity prices drop. Demand for biodiesel products is expected to remain at low levels in 2016.

As of 31 December 2015, about 20 energy efficient gas stoves had been installed for customers in Hong Kong. In 2016, the Group will allocate more resources on the energy efficient gas stoves business and will continue the installation of energy efficient gas stoves to other customers.

Regarding the Suning EMC Project, as of 31 December 2015, the Group had completed the installation work and the inspection procedures at over 200 retail stores of Suning, and about 200 retail stores of Suning had completed the installation work pending for completion of the inspection procedures. The Group will continue the installation work at other retail stores of Suning in 2016. The Group will also continue its negotiation with HNA Group Co., Ltd. for the provision of energy saving business solutions to other hotels managed by HNA Group Co., Ltd..

Looking forward, the Group will continue to explore opportunities for new products and projects with other potential customers, both in the PRC and in Hong Kong, and will continue to look for investment opportunity so as to diversify its business and to provide a better return to all shareholders.

DIVIDENDS

The Board proposes the payment of a final dividend of HK5.0 cents per share. Together with the interim dividend of HK5.0 cents per share paid in October 2015, the total dividends paid or payable for the year 2015 will be HK10.0 cents per share. All dividends are paid in cash from funds generated from the Group's operations. The Group will have sufficient funds for its future expansion after the payment of dividends.

The proposed final dividend of HK5.0 cents per share will be payable to shareholders whose names appear on the register of members of the Company on 16 June 2016. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or around 29 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 June 2016 to 16 June 2016 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the forthcoming annual general meeting), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 13 June 2016.

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 69, is an executive Director and the Chairman of the Company. Being the founder of the Group, Mr. Lam has over 40 years of marketing experience in the electronic industry and he is responsible for the Groups' overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years. Mr. Lam is the spouse of Ms. Yeung Po Wah and the father of Mr. Lam Chee Tai, Eric.

Ms. Yeung Po Wah (楊寶華), aged 66, is an executive Director of the Company. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department. Ms. Yeung is the spouse of Mr. Lam Yin Kee and the mother of Mr. Lam Chee Tai, Eric.

Ms. Liu Jing (劉靖), aged 43, was appointed as an executive Director of the Company from 5 March 2016. Ms. Liu holds a Master Degree in Finance, Trade and Economics from the Graduate School of Chinese Academy of Sciences, and is a senior accountant and a member of The Chinese Institute of Certified Public Accountants. Ms. Liu is currently an executive director of Beijing Extraordinary Leading Investment Management Co. Ltd., and is responsible for financial administration. Ms. Liu has over twenty years' experience in corporate strategic development, business operation management and finance, and has over six years' experience in management of investment funds. During the period from July 1994 to July 2009, Ms. Liu held various positions in HNA Group Co. Ltd. and its affiliates, including assistant general manager, general manager and chief financial officer, and was responsible for financial, investment and corporate finance activities of the group. During the period from July 2009 to July 2012, Ms. Liu set up Shanghai Rich-yield Investment Management Centre (Limited Partnership) with other founders, and was responsible for its investment and corporate finance activities.

Mr. Lam Chee Tai, Eric (林子泰), aged 36, was appointed as an executive Director of the Company on 30 March 2012. Mr. Lam holds a Bachelor Degree in Commerce (Marketing) and a Master Degree in Business Systems from Monash University, Australia. Mr. Lam joined the Group as an assistant Marketing Manager in June 2004 and is currently the General Manager of a major subsidiary of the Group. Mr. Lam has extensive experience in production and customer management and is mainly responsible for the overall supervision of the Group's manufacturing operations in China and for business development in China market. Mr. Lam is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah.

Mr. So Kin Hung (蘇健鴻), aged 59, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 25 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Non-Executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 75, is a non-executive Director appointed by the Group in June 2005. Mr. Fan is a solicitor in Hong Kong and has officially retired in April 2013. He is also a non-executive director of Chinney Investments, Limited since 1987 and an independent non-executive director of National Agricultural Holdings Limited since January 2015, both of which are companies listed on the Main Board of the Stock Exchange.

Independent Non-Executive Directors

Mr. Pang Kwong Wah (彭廣華), aged 70, is an independent non-executive Director appointed by the Group in June 2013. Mr. Pang graduated from the University of Southern California in the United States of America with a Master of Business Administration and has extensive experience in finance and administration, business and general management. Mr. Pang was a principal of corporate services division of an international audit firm during 1985 to 1988 and had held senior positions including the chief operating officer and chief executive officer of a listed company in Hong Kong during 1988 to 2002. Mr. Pang was also a non-executive director of a listed company in Hong Kong during 2004 to 2005.

Mr. Leung Kam Wah (梁錦華), aged 69, is an independent non-executive Director appointed by the Group in June 2005. Mr. Leung has over 30 years of experience in the legal sector. He had worked as a judicial clerk in the Judiciary Department and a legal executive in Legal Aid Department of Hong Kong. Mr. Leung is now practicing as a law costs draftsman and operating a legal costing firm in Hong Kong.

Mr. Yau Ming Kim, Robert (丘銘劍), aged 77, is an independent non-executive Director appointed by the Group in September 2009. Mr. Yau graduated from Wah Yan College and has extensive experience in the textile and clothing industry and worldwide trade affairs. He served as a trade officer in the Hong Kong Government from 1964 to 1971. In 1970, he was seconded to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as "World Trade Organisation") in Geneva, Switzerland and was awarded GATT Fellowship. Mr. Yau had held senior positions including chief executive and managing director of various major international and local apparel companies since 1971. In addition, from 1998 to 2004, he was appointed as the vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council.

Mr. Yau is currently an independent non-executive director of Parkson Retail Group Limited and Tungtex (Holdings) Company Limited since 1 January 2007 and 18 September 2006 respectively. The shares of these two companies are listed on the Main Board of the Stock Exchange.

PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group's business performance in the first six months ended 30 June 2008. Mr. Lam Yin Kee and Ms. Yeung Po Wah were also publicly censured for their breach of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules. Mr. So Kin Hung, Mr. Fan, William Chung Yue, Mr. Leung Kam Wah, and two former independent non-executive Directors of the Company, Mr. Barry John Buttifant and Ms. Yeung Chi Ying, were publicly criticised for their respective breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 65, is a co-founder of a major subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Lam On Bong (林安邦), aged 64, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 30 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 63, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (梁福祥), aged 52, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and recognises the importance of good corporate governance to the Company's healthy development. The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 December 2015, the Company has complied with the Code Provisions of the CG Code, except for the limited deviation on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximise the interests of shareholders.

Code Provision A.2.1

Under Code Provision A.2.1, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. However, the Board will review the roles of Mr. Lam Yin Kee acting as the Chairman and Chief Executive regularly, and may segregate the roles to two Directors, if the Board believes that it is for the best interest of the Company and the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2015.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant senior management of the Company in respect of their dealings in the securities of the Company.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, to oversee the management of the Group and to evaluate the performance of the Group. The Board is also responsible for the approval of annual and interim results, risk management, major acquisitions, and other significant operational and financial matters. Matters not specifically reserved to the Board and necessarily relate to the daily operations of the Group are delegated to the management under the supervision of the respective Directors and the leadership of the Chairman.

During the year ended 31 December 2015, there were no changes in the composition of the Board. Ms. Liu Jing was subsequently appointed as an executive Director of the Company with effect from 5 March 2016. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:	Mr. Lam Yin Kee *(Chairman and Chief Executive)* Ms. Yeung Po Wah Ms. Liu Jing Mr. Lam Chee Tai, Eric Mr. So Kin Hung
Non-executive Director:	Mr. Fan, William Chung Yue
Independent non-executive Directors:	Mr. Pang Kwok Wah Mr. Yau Ming Kim, Robert Mr. Leung Kam Wah

Mr. Lam Yin Kee is the Chairman and Chief Executive of the Group. Ms. Yeung Po Wah is an executive Director of the Group and the spouse of Mr. Lam Yin Kee. Mr. Lam Chee Tai, Eric is an executive Director of the Group and the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Apart from these, there is no other direct family relationship amongst the members of the Board.

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 11 to 12 of this annual report. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group. The non-executive Director and the three independent non-executive Directors are person of high caliber with academic and professional qualifications in the fields of accounting, finance, law, worldwide trade affairs and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group. Each of the non-executive Director and the independent non-executive Directors has been appointed with a formal letter of appointment setting out the terms and conditions of their respective appointment. Mr. Fan, William Chung Yue and Mr. Leung Kam Wah are appointed for a term of one year commencing from 17 June 2005, and such appointments shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009 and was re-elected at the annual general meeting of the Company held on 28 May 2010. The appointment of Mr. Yau Ming Kim, Robert, shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013 and was re-elected at the annual general meeting of the Company held on 29 May 2014. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

The Company has been maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members. The Board considers that the independent non-executive Directors can make independent judgment effectively and fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors in respect of the year ended 31 December 2015.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2015, five full board meetings were held and the attendance of the Board of Directors is set out as follows:

	Number of meetings attended during the year ended 31 December 2015	
	Board meetings	**2015 AGM***
Executive Directors:		
Mr. Lam Yin Kee	5/5	1/1
Ms. Yeung Po Wah	5/5	1/1
Ms. Liu Jing**	N/A	N/A
Mr. Lam Chee Tai, Eric	5/5	0/1
Mr. So Kin Hung	5/5	1/1
Non-executive Director:		
Mr. Fan, William Chung Yue	5/5	1/1
Independent non-executive Directors:		
Mr. Pang Kwong Wah	5/5	1/1
Mr. Yau Ming Kim, Robert	5/5	1/1
Mr. Leung Kam Wah	3/5	1/1

* The 2015 AGM was held on 28 May 2015

** Ms. Liu Jing was appointed effective from 5 March 2016

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she be counted in the quorum present at the meeting.

Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Chairman of the Board also held a meeting with the non-executive Directors (including independent non-executive Directors) of the Company during the year without the executive Directors present. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2015. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually. During the year, no claim was made against the Directors and officers of the Company.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the corporate governance report. The Board is also satisfied that all Directors have contributed sufficient time in performance of their responsibilities as directors of the Company.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda together with Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties. Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment to the Board, each newly appointed Director receives a comprehensive package covering the Group's business and the general, statutory and regulatory obligations of being a director of a listed company to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses or seminars relating to the Listing Rules, companies ordinance and corporate governance practices organised by professional bodies so that they can continuously update their relevant knowledge and skills. The company secretary also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties.

During the year ended 31 December 2015, the Company engaged a professional training institution to provide all Directors with relevant training on directors' responsibilities and information disclosure. All Directors had complied with the requirements set out in the Code Provision A.6.5 and had provided their training records as follows:

	Type of training	
	Read materials	Attending seminars/ workshops
Executive Directors:		
Mr. Lam Yin Kee	✓	✓
Ms. Yeung Po Wah	✓	✓
Ms. Liu Jing**	N/A	N/A
Mr. Lam Chee Tai, Eric	✓	✓
Mr. So Kin Hung	✓	✓
Non-executive Director:		
Mr. Fan, William Chung Yue	✓	✓
Independent non-executive Directors:		
Mr. Pang Kwong Wah	✓	✓
Mr. Yau Ming Kim, Robert	✓	✓
Mr. Leung Kam Wah	✓	✓

** Ms. Liu Jing was appointed effective from 5 March 2016

All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Mr. Lam Yin Kee, Mr. Fan, William Chung Yue and Mr. Leung Kam Wah had been re-appointed at the last Annual General Meeting held on 28 May 2015. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Ms. Liu Jing, Mr. Lam Chee Tai, Eric, Mr. Yau Ming Kim, Robert and Mr. Pang Kwong Wah shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

All directors (including executive, non-executive and independent non-executive directors) are subject to election for appointment by shareholders at the annual general meeting once every three years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for the termination of the service contracts with executive Directors by either party is not less than three months. The notice period for the termination of appointment of non-executive Directors and independent non-executive Directors by either party is not less than one month.

NOMINATION COMMITTEE

The Company had set up a nomination committee (the "Nomination Committee") on 1 April 2012 with written terms of reference. The Nomination Committee has a minimum of five members, comprising a majority of independent non-executive Directors. The Nomination Committee is chaired by Mr. Lam Yin Kee (the Chairman of the Board) and other current members include Ms. Yeung Po Wah, Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

The terms of reference of the Nomination Committee are posted on the Company's website and the Stock Exchange's website. The primarily roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least once every year, making recommendations on any proposed changes to the Board to complement the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Company acknowledges that the diversification of the members of the Board has positive effects on enhancing the Group's performance, and has adopted a board diversity policy with effect from 1 September 2013. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to sex, age, cultural and academic background, race, professional experience, skills, knowledge and terms of services. All of our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration. The nomination committee will review the diversity of the composition of the Board on regular basis, and will monitor the implementation of this policy, so as to ensure this policy has been effectively implemented.

During the year, the Nomination Committee has held one meeting to review the structure, size and composition of the Board, and has concluded that no changes to the composition of the Board were considered necessary.

Name of member	Number of meeting attended
Mr. Lam Yin Kee	1/1
Ms. Yeung Po Wah	1/1
Mr. Pang Kwong Wah	1/1
Mr. Yau Ming Kim, Robert	1/1
Mr. Leung Kam Wah	1/1

REMUNERATION COMMITTEE

The Company has set up a remuneration committee (the "Remuneration Committee") on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee has a minimum of five members, comprising a majority of independent non-executive Directors. As of 31 December 2015, the Chairman of the Remuneration Committee was Mr. Pang Kwong Wah and other members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for meeting is two.

The terms of reference of the Remuneration Committee are posted on the Company's website and the Stock Exchange's website. The primarily duties of the Remuneration Committee include:

a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

g) to advise shareholders on how to vote with respect to any service contracts of Directors that required shareholders' approval under Rule 13.68 of the Listing Rules; and

h) to consider other topics, as defined by the Board.

The Remuneration Committee had held one meeting in 2015, and has discussed and reviewed the remuneration policy for all directors and senior management of the Group; the bonus payment policy and the pay trend for salary adjustment.

Name of member	Number of meeting attended
Mr. Lam Yin Kee	1/1
Ms. Yeung Po Wah	1/1
Mr. Pang Kwong Wah	1/1
Mr. Yau Ming Kim, Robert	1/1
Mr. Leung Kam Wah	1/1

The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the emoluments of Directors during the year ended 31 December 2015 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to the highest paid individuals, who were not directors of the Company, as set out in note 12 to the consolidated financial statements of this annual report during the year ended 31 December 2015 were within the following bands:

	Number of individuals
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

The Company has adopted a share option scheme on 22 June 2005, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 29 and 30 of this annual report.

The share option scheme has expired on 21 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises members of independent non-executive Directors only.

Mr. Pang Kwong Wah has been the chairman of the Audit Committee since 20 June 2013. Mr. Pang Kwong Wah has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee meets at least twice every year and the quorum necessary for meeting is two. Two meetings were held during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Name of member	Number of meetings attended
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	2/2
Mr. Leung Kam Wah	1/2

The terms of reference of the Audit Committee are posted on the Company's website and the Stock Exchange's website. The primarily duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on the engagement of the independent auditor to supply non-audit services. The Audit Committee shall ensure that the provision by the independent auditor of non-audit services does not impair the independent auditor's independence or objectivity;

Review of financial information of the Company

(d) to monitor integrity of financial statements of the Company and the Company's annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, before submission to the Board;

(e) In regard to (d) above:–

(i) members of the Audit Committee should liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant. The Audit Committee must meet, at least twice a year, with the Company's independent auditor;

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or independent auditor; and

(iii) the Audit Committee should discuss problems and reservation arising from the financial statements, annual reports and accounts, interim reports and quarterly reports (if applicable) and any other matters the independent auditor may wish to discuss (in the absence of management of the Company where necessary);

Oversight of the Company's financial reporting system, risk management and internal control procedures

(f) to review the Company's financial controls, risk management and internal control systems, and its statement in relation thereto prior to endorsement by the Board;

(g) to discuss with the management the risk management and internal control systems and to ensure that management has discharged its duty to have an effective risk management and internal control system;

(h) to consider any major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and independent auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the Company and its subsidiaries' financial and accounting policies and practices;

(k) to review the independent auditor's management letter, any material queries raised by the independent auditor to management about accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

(m) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

(n) to act as the key representative body for overseeing the Company's relations with the independent auditor;

(o) to report to the Board on the matters set out in this term of reference; and

(p) to consider other topics, as defined by the Board.

The Audit Committee also ensures that the directors of the Company have conducted an annual review of the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and training programmes and budget.

The Group's interim results and annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2015, the Audit Committee has met with the independent auditor with no executive Directors present.

EXECUTIVE COMMITTEE

The Company had set up an executive committee (the "Executive Committee") with written terms of reference effective from 12 November 2012. The Executive Committee has a minimum of three members. Mr. Lam Yin Kee is the chairman of the Executive Committee and other current members included Ms. Yeung Po Wah and the Company Secretary. The primarily roles and functions of the Executive Committee are to review, evaluate and make recommendations to the Board regarding any investment opportunities, payments or guarantees in excess of HK$20,000,000.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC Hong Kong"). PwC Hong Kong is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC Hong Kong was also engaged to advise the Group on tax compliance and related matters.

The fees paid and payable by the Group to PwC Hong Kong in respect of audit and non-audit services (mainly consist of professional advisory on taxation and review of interim financial information) for the year ended 31 December 2015 are HK$2,240,000 and HK$721,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on page 36 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal control systems have been designed to allow Directors to monitor the Group's overall financial position, safeguard its assets, provide reasonable assurance against fraud and errors, and to manage the risks in failing to achieve the Group's objectives. Executive Directors monitor the business activities closely. The Group from time to time updates and improves the internal controls.

The Group has conducted an annual review of its internal control systems to ensure that they are effective and adequate. The Company convenes management meeting periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control system and evaluates its adequacy, effectiveness and compliance on a regular basis. The Board is satisfied that such systems are effective and appropriate actions have been taken.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Board oversees management in the design, implementation and monitoring of the risk management system.

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the activities of the Board are carried out efficiently and effectively. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary also advises the Directors on their obligations in respect of disclosure of interests in securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed.

With respect to the secretarial function of the Group, the Company Secretary maintains formal minutes of the Board meetings and other Board committee meetings. During the year, Mr. Leung Fuk Cheung, the Company Secretary of the Company, has undertaken no less than 15 hours of professional training to update his skills and knowledge.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and uses a number of formal communication channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) meetings are held with media and investors periodically; (iv) the Company replies to enquiries from shareholders timely; (v) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters; and (vi) the Company will publish voluntary announcement to keep the shareholders and potential investors of the Company informed of the latest business development of the Company and its subsidiaries as and when necessary.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the Stock Exchange's website and the Company's website. The Chairman and Directors will answer questions on the Group's business at the meeting.

SHAREHOLDERS' RIGHTS

Putting forward proposals at general meetings

The annual general meeting and other general meetings of the Company are primary platform for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

There are no provisions in the Company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

As regards proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website.

Convening an extraordinary general meeting by shareholders

Pursuant to the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company by mail at Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward enquiries to the Board

The Company has disclosed all necessary information to the shareholders in compliance with Listing Rules. Updated and key information of the Group is also available on the Company's website at http://www.irasia.com/listco/hk/alltronics/index.htm. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong
Fax: (852) 2977 5633
Email: roger.leung@alltronics.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

The Board of Directors (the "Board") is pleased to present its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company and provides corporate management services to its group companies. The activities of the subsidiaries as set out in note 19 to the consolidated financial statements are primarily manufacturing and trading of electronic products and components for electronic products, the manufacturing and trading of biodiesel products, and the provision of energy saving business solutions. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

Details of the activities during the year as required by Schedule 5 to the new Hong Kong Companies Ordinance (Cap. 622), including a review of the Group's business, an analysis of the Group's performance during the year using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of the future development in the Group's business, are set out in the sections "Chairman's Statement" on pages 3 to 4 and "Management Discussion and Analysis" on pages 5 to 10 of this annual report, and the notes to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the reporting period can also be found in the abovementioned sections and the notes to the consolidated financial statements. The discussions on the Group's environmental policy and performance and the Group's compliance with the relevant laws and regulations are set out on page 27 of this annual report. An account of the Company's relationship with its key stakeholders is included in the "Relationship with Employees, Customers and Suppliers" and "Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company" on pages 27 and 33 of this annual report respectively.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group has formulated some policies in accordance with international environmental standards and has adopted environmentally-friendly production by improving energy efficiency while reducing energy consumption and pollutant emissions. Production factories of the Group have passed the certification of ISO 9001 quality control system and ISO 14001 environmental management system.

The Group has paid close attention to the latest development of domestic and international environmental protection laws and regulations to ensure that the environmental policies are in line with domestic and international standards.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with the requirements of relevant laws and regulations. During the year, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year, there were no material and significant disputes between the Group and its employees, customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 37 of this annual report.

During the year, the Company has declared and paid an interim dividend of HK5.0 cents per ordinary share, totalling HK$19,022,410. The Directors recommend the payment of a final dividend for the year of HK5.0 cents per ordinary share, amounting to HK$22,481,010, subject to the approval by shareholders at the Annual General Meeting of the Company to be held on 7 June 2016. It is expected that the final dividend will be paid on or about 29 June 2016 to shareholders whose names appear on the register of members on 16 June 2016.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$1,220,000.

SHARES ISSUED DURING THE YEAR

During the year, the Company has issued new shares as follows:

(i) Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 28 May 2015, the Company has allotted and issued 34,586,200 bonus shares on 29 June 2015, credited as fully paid at par, on the basis of one new bonus share for every ten shares held by the shareholders of the Company whose names appeared on the register of members of the Company on 8 June 2015.

(ii) Pursuant to a placing agreement dated 20 November 2015 entered into by the Company with an independent placing agent, the Company has allotted and issued 69,172,000 new shares on 7 December 2015, at HK$1.88 per share. Details of the placing were set out in the announcements dated 20 November 2015 and 7 December 2015 respectively issued by the Company.

Details of the shares issued during the year ended 31 December 2015 are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company as at 31 December 2015, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$225,966,000 (2014: HK$100,218,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 108 of this annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2015 and the Company has not redeemed any of its shares during the year.

SHARE OPTIONS

Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the "Share Option Scheme") was approved and adopted. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange.

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 22 June 2005, being the date on which the Share Option Scheme is adopted. The Share Option Scheme expired on 21 June 2015 and, as at 31 December 2015, there were no share options granted under the Share Option Scheme prior to its expiry which are still exercisable pursuant to the terms of the scheme.

During the two years ended 31 December 2015 and 2014, there were no share options granted, exercised, cancelled or lapsed. As at 31 December 2015 and 2014, there were no outstanding share options issued under the Share Option Scheme.

As the Share Option Scheme had expired on 21 June 2015, there were no shares of the Company available for issue under the Share Option Scheme as at the date of this report. As at the date of the 2014 annual report of the Company, the total number of shares of the Company available for issue under the Share Option Scheme was 31,442,000, which represented 9.1% of the issued share capital of the Company as at the date of the 2014 annual report.

DIRECTORS OF THE COMPANY

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Lam Yin Kee *(Chairman and Chief Executive)*
Ms. Yeung Po Wah
Ms. Liu Jing *(appointed from 5 March 2016)*
Mr. Lam Chee Tai, Eric
Mr. So Kin Hung

Non-Executive Director

Mr. Fan, William Chung Yue

Independent Non-Executive Directors

Mr. Pang Kwong Wah
Mr. Leung Kam Wah
Mr. Yau Ming Kim, Robert

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Liu Jing, Mr. Lam Chee Tai, Eric, Mr. Yau Ming Kim, Robert, and Mr. Pang Kwong Wah shall retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee and Ms. Yeung Po Wah has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

(i) each service contract is of an initial term of three years commencing on 15 July 2005 and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;

(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$340,800 and HK$102,968 respectively, subject to discretionary bonus of not more than 10% of the Group's profit in aggregate; and

(iii) the Group provides directors' accommodation to Mr. Lam Yin Kee at a current monthly rental of HK$150,000.

Ms. Liu Jing was appointed for an initial term of three years commencing from 5 March 2016 and such appointment shall continue thereafter from year to year until terminated by either party with three month's notice in writing. The current monthly salary for Ms. Liu Jing is HK$50,000.

There are no service contracts between the Company and Mr. Lam Chee Tai, Eric and Mr. So Kin Hung in relation to their roles as executive Directors of the Company. The current monthly salary for Mr. Lam Chee Tai, Eric and Mr. So Kin Hung are HK$125,779 and HK$99,224 respectively.

Mr. Fan, William Chung Yue and Mr. Leung Kam Wah were appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009. The appointment of Mr. Yau Ming Kim, Robert shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the Directors has entered into or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director of the Company or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 11 to 13 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2015, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company as at 31 December 2015

		Number of shares held				
		Personal interests	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the Company**
Mr. Lam Yin Kee	Long positions	8,408,290	–	254,100,000 *(Note 1)*	262,508,290	58.4
Ms. Yeung Po Wah	Long positions	–	262,508,290	–	262,508,290	58.4
Mr. Lam Chee Tai, Eric	Long positions	1,677,060	–	–	1,677,060	0.4

Notes:

1. 254,100,000 shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee.

2. Mr. Lam Yin Kee and Ms. Yeung Po Wah are directors and beneficial owners of Profit International Holdings Limited.

3. Mr. Lam Chee Tai, Eric is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah.

(b) Share options of the Company as at 31 December 2015

None of the Directors and Chief Executives has held any share options as at 31 December 2015.

(c) Interests in an associated corporation, Profit International Holdings Limited (ordinary shares of US$1 each) as at 31 December 2015

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the issued share capital of the associated corporation
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.0
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.0

Save as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2015, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

		Number of shares held			
Name		Personal interests	Nature of interest	Total	% of the issued share capital of the Company
Profit International Holdings Limited	Long positions	254,100,000	Beneficially owned	254,100,000	56.5
Ms. Liu Jing *(Note 1)*	Long positions	69,172,000	Beneficially owned	69,172,000	15.4

Note:

1. Ms. Liu Jing has become an executive Director of the Company with effect from 5 March 2016.

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, as at 31 December 2015, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	4.0%
– five largest suppliers combined	13.9%
Sales	
– the largest customer	39.2%
– five largest customers combined	58.4%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 39 to the consolidated financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$150,000 for a period of two years from 1 April 2013 to 31 March 2015. Ms. Yeung Po Wah and Mr. Lam Chee Tai, Eric hold 60% and 20% of shareholding respectively and are directors of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Mr. Lam Chee Tai, Eric is an executive Director of the Company and the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. The Company had made an announcement in respect of this continuing connected transaction on 31 March 2013.

The aforesaid rental agreement has been renewed on 31 March 2015 for a period of two years commencing from 1 April 2015 to 31 March 2017, at a monthly rental of HK$150,000. The Company had made an announcement in respect of this continuing connected transaction due to the renewal of the tenancy agreement on 31 March 2015.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on page 104 of this annual report in accordance with paragraph 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the independent auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE

During the year ended 31 December 2015, the Company complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules except for the following:

Code Provision A.2.1

Mr. Lam Yin Kee is the Chairman and the Chief Executive of the Company but the daily operation and management of the Company are monitored by the executive Directors as well as the senior management to ensure the balance of power and authority.

Further information is set out in the Corporate Governance Report contained in this annual report.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of its business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

PERMITTED INDEMNITY PROVISIONS

During the year under review and up to the date of this Report of the Directors, the Company's Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Director.

During the year under review and up to the date of this Report of the Directors, the Company has taken out and maintained appropriate insurance to cover potential legal actions against its Directors.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

EVENT AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in Note 41 to the consolidated financial statements.

On behalf of the Board

Lam Yin Kee
Chairman
Hong Kong, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALLTRONICS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 107, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Revenue	5	**886,305**	957,451
Cost of sales	6	**(722,075)**	(790,063)
Gross profit		**164,230**	167,388
Distribution costs	6	**(7,419)**	(8,389)
Administrative expenses	6	**(88,478)**	(82,242)
Other losses – net	7	**(4,888)**	(9,508)
Operating profit		**63,445**	67,249
Finance income	8	**1,729**	261
Finance costs	8	**(5,776)**	(5,783)
Finance costs - net		**(4,047)**	(5,522)
Share of profit of an associate	20	**192**	–
Profit before income tax		**59,590**	61,727
Income tax expense	13	**(15,521)**	(14,881)
Profit for the year		**44,069**	46,846
Attributable to:			
Owners of the Company		**41,410**	45,232
Non-controlling interests		**2,659**	1,614
		44,069	46,846
Earnings per share for profit attributable to owners of the Company		**HK Cents**	HK Cents (Restated)
– basic	14	**10.75**	11.89
– diluted	14	**10.75**	11.89

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Profit for the year	**44,069**	46,846
Other comprehensive loss		
Item that may be reclassified to profit or loss		
Currency translation differences	**(9,141)**	(1,153)
Total other comprehensive loss for the year	**(9,141)**	(1,153)
Total comprehensive income for the year	**34,928**	45,693
Total comprehensive income for the year attributable to:		
Owners of the Company	**32,209**	44,260
Non-controlling interests	**2,719**	1,433
	34,928	45,693

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**37,548**	38,816
Leasehold land and land use rights	*17*	**1,720**	1,770
Intangible assets	*18*	**11,672**	19,931
Interest in an associate	*20*	**18,426**	6,282
Available-for-sale financial assets	*22*	**5,000**	–
Prepayments and deposits	*23*	**58,804**	31,686
Finance lease receivable	*24*	**6,561**	19,631
Deferred income tax assets	*35*	**2,498**	1,873
Total non-current assets		**142,229**	119,989
Current assets			
Inventories	*25*	**196,680**	174,494
Finance lease receivable	*24*	**19,979**	8,234
Trade receivables	*26*	**113,754**	135,222
Prepayments, deposits and other receivables	*26*	**40,636**	42,005
Amounts due from non-controlling shareholders of a subsidiary	*27*	**651**	535
Financial assets at fair value through profit or loss	*28*	**256**	434
Tax recoverable		**23**	316
Pledged bank deposits	*38*	**10,527**	10,507
Cash and cash equivalents (excluding bank overdrafts)	*30*	**204,505**	64,371
Total current assets		**587,011**	436,118
Total assets		**729,240**	556,107
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*32*	**4,496**	3,459
Reserves	*33*	**365,971**	253,437
		370,467	256,896
Non-controlling interests		**(9,053)**	(11,802)
Total equity		**361,414**	245,094

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*34*	**1,837**	831
Deferred revenue		**1,518**	4,396
Deferred income tax liabilities	*35*	**1,248**	1,347
Total non-current liabilities		**4,603**	6,574
Current liabilities			
Trade payables	*31*	**114,214**	107,804
Accruals and other payables		**45,529**	42,301
Deferred revenue		**1,176**	1,433
Amounts due to non-controlling shareholders of a subsidiary	*27*	**–**	37
Current income tax liabilities		**6,305**	4,068
Borrowings	*34*	**192,123**	136,933
Derivative financial instruments	*29*	**3,876**	11,863
Total current liabilities		**363,223**	304,439
Total liabilities		**367,826**	311,013
Total equity and liabilities		**729,240**	556,107

The consolidated financial statements on pages 37 to 107 were approved by the Board of Directors on 31 March 2016 and were signed on its behalf by:

Lam Yin Kee
Director

Yeung Po Wah
Director

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

		Attributable to owners of the Company					
	Note	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014		3,459	73,594	153,144	27,669	(13,235)	244,631
Comprehensive income							
Profit for the year		–	–	45,232	–	1,614	46,846
Other comprehensive loss:							
Currency translation differences		–	(972)	–	–	(181)	(1,153)
Total other comprehensive loss for the year		–	(972)	–	–	(181)	(1,153)
Total comprehensive income/(loss) for the year		–	(972)	45,232	–	1,433	45,693
Revaluation reserve on available-for-sale financial assets realised upon disposal		–	(268)	–	–	–	(268)
Transactions with owners in their capacity as owners:							
Interim dividend paid	*15*	–	–	(17,293)	–	–	(17,293)
Proposed final dividend	*15*	–	–	(27,669)	27,669	–	–
Final dividend paid relating to 2013	*15*	–	–	–	(27,669)	–	(27,669)
Allocation to statutory reserve		–	1,997	(1,997)	–	–	–
Balance at 31 December 2014		3,459	74,351	151,417	27,669	(11,802)	245,094
Balance at 1 January 2015		**3,459**	**74,351**	**151,417**	**27,669**	**(11,802)**	**245,094**
Comprehensive income							
Profit for the year		**–**	**–**	**41,410**	**–**	**2,659**	**44,069**
Other comprehensive income/(loss):							
Currency translation differences		**–**	**(9,201)**	**–**	**–**	**60**	**(9,141)**
Total other comprehensive income/(loss) for the year		**–**	**(9,201)**	**–**	**–**	**60**	**(9,141)**
Total comprehensive income/(loss) for the year		**–**	**(9,201)**	**41,410**	**–**	**2,719**	**34,928**
Transactions with owners in their capacity as owners:							
Bonus issue of shares	*32*	**345**	**(345)**	**–**	**–**	**–**	**–**
New shares placed	*32*	**692**	**127,391**	**–**	**–**	**–**	**128,083**
Interim dividend paid	*15*	**–**	**–**	**(19,022)**	**–**	**–**	**(19,022)**
Proposed final dividend	*15*	**–**	**–**	**(22,481)**	**22,481**	**–**	**–**
Final dividend relating paid to 2014	*15*	**–**	**–**	**–**	**(27,669)**	**–**	**(27,669)**
Allocation to statutory reserve		**–**	**2,222**	**(2,222)**	**–**	**–**	**–**
Change in ownership interests in a subsidiary without change in control	*40*	**–**	**–**	**(30)**	**–**	**30**	**–**
Balance at 31 December 2015		**4,496**	**194,418**	**149,072**	**22,481**	**(9,053)**	**361,414**

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	*36*	**71,627**	79,814
Interest income		**1,729**	261
Interest paid		**(5,776)**	(5,783)
Income tax paid			
– the People's Republic of China		**(6,298)**	(7,661)
– Hong Kong		**(7,417)**	(11,363)
Net cash generated from operating activities		**53,865**	55,268
Cash flows from investing activities			
Investment in an associate		**(11,952)**	(6,282)
Increase in prepayments for non-current assets		**(32,908)**	(7,297)
Purchase of property, plant and equipment		**(8,489)**	(8,788)
Proceeds from disposals of property, plant and equipment	*36*	**776**	213
Proceeds from sale of available-for-sale financial assets		**–**	2,853
Purchase of available-for-sale financial assets		**(5,000)**	–
Net cash used in investing activities		**(57,573)**	(19,301)
Cash flows from financing activities			
Proceeds from issue of shares	*32*	**128,083**	–
Capital element of finance lease payments		**(1,104)**	(721)
Decrease/(increase) in non-current finance lease receivable	*24*	**13,070**	(18,620)
Dividends paid to the Company's shareholders	*15*	**(46,691)**	(44,962)
Repayments of borrowings		**(134,357)**	(69,035)
Proceeds from borrowings		**193,819**	76,543
Increase in pledged bank deposits		**(20)**	(2,874)
Net cash generated from/(used in) financing activities		**152,800**	(59,669)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**149,092**	(23,702)
Cash and cash equivalents, net of bank overdrafts at beginning of year		**48,220**	72,642
Exchange losses on cash and cash equivalents, net of bank overdrafts		**(536)**	(720)
Cash and cash equivalents, net of bank overdrafts at end of the year	*30*	**196,776**	48,220

The notes on pages 43 to 107 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Alltronics Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the "Group") are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products, the manufacturing and trading of biodiesel products, and the provision of energy saving business solutions. Details of the activities of the principal subsidiaries are set out in Note 19 to the financial statements.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2016.

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 Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These 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 or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) The following amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2015, but do not have significant financial impact to the Group

HKAS 19 (Amendment)	Defined Benefit Plans
HKFRSs (Amendment)	Annual Improvements 2010 –2012 Cycle
HKFRSs (Amendment)	Annual Improvements 2011 – 2013 Cycle

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) The following new and amended standards have been issued, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKFRS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRSs (Amendment)	Annual Improvements 2012 – 2014 Cycles	1 January 2016

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control are accounted as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of an associate" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture and fixtures, office equipment, plant and machinery, leasehold improvements and motor vehicles. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2% - 20% or over the lease terms, whichever is shorter
Furniture and fixtures	9% - 20%
Office equipment	8% - 20%
Plant and machinery	9% - 20%
Leasehold improvements	16.67% - 20% or over the lease terms, whichever is shorter
Motor vehicles	9% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses – net', in the consolidated income statement.

2.7 Intangible assets - goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also recognised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits and other receivables excluding prepayments", "amounts due from non-controlling shareholders of a subsidiary", "pledged bank deposits" and "cash and cash equivalents" in the statement of financial position (Notes 2.11 and 2.12).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

The Group's investment in an unlisted company is classified as available-for-sale financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(d) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets for investment in unlisted company in which no quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss's category are presented in the income statement within 'other losses – net' in the period in which they arise.

When available-for-sale financial assets are sold or impaired, the gains or losses are presented in the consolidated income statement as 'other losses – net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(e) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(e) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost less any impairment loss and the current fair value on that financial asset – is recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.14 Financial liabilities

The Group classifies its financial liabilities in the following categories: borrowings, trade payables, accruals and other payables and amounts due to non-controlling shareholders of a subsidiary in the statement of financial position. Management determines the classification of its financial liabilities at initial recognition.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings (Continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) *Pension obligations*

The Group operates defined contribution retirement schemes for its Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the consolidated income statement represent contributions paid or payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes in Hong Kong are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company participate in respective government retirement benefit schemes, and are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the consolidated income statement as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

(c) *Bonus plans*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Revenue from sales of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(d) *Income from energy management contracts*

Income from energy management contracts are recognised as finance lease income from sale of energy saving equipment and maintenance service income.

i) Finance lease income from sales of energy saving equipment

Revenue from sales of energy saving equipment is recognised as finance lease income when the installation work and the inspection procedures have been completed, and the energy saving revenue sharing has been agreed by the Group and the customer (Note 5). The finance lease income is recognised in the consolidated income statement using the interest rate implicit in the lease over the lease periods covered by the energy management contracts.

ii) Maintenance service income

Maintenance service income is recognised on a straight-line basis over the term of the maintenance contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

Lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income.

The method for allocating gross earnings to accounting periods is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of these derivative instruments are recognised in the consolidated income statement within 'other losses – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Joint operations

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations.

The assets of a joint operation over which the Group has joint control with other ventures in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets. The Group's share of assets and any liabilities incurred jointly with other venturers are recognised in the statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in joint operations are accounted for on an accrual basis. Income from the sales or use of the Group's share of the output of the joint operations, together with its share of any expenses incurred by the joint ventures, are recognised in the consolidated income statement when it is probable that the economic benefits associated with the transactions will follow to or from the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management periodically analyses and reviews measures to manage the Group's exposures to these financial risks. Generally, the Group adopts a conservative strategy regarding its risk management and uses derivative financial instruments to hedge certain risk exposures.

Risk management is mainly carried out by the finance and accounts department (the "Finance and Accounts Department") under policies approved by the Board of Directors. The Finance and Accounts Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (US dollar) and Renminbi (RMB). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

To manage the foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollar, US dollar and RMB to the extent possible. The Group manages its exposure through constant monitoring to minimise the amount of its foreign currencies exposures. Moreover, the Group enters into currency forwards with banks to manage the overall currency exposure. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance and Accounts Department of the Group is responsible for monitoring and managing the net position in each foreign currency.

Since HK dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The Group has certain investments and operations in the PRC, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations in the PRC is not significant and is managed primarily through incurring liabilities denominated in RMB.

At 31 December 2015, if HK dollar had weakened/strengthened by 10% against RMB with all other variables held constant, post-tax profit for the year would have been approximately HK$3,845,000 lower/higher (2014: HK$422,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade payables, trade receivables and cash and bank balances.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except its bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arose from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and borrowings. Information relating to interest rates of the Group's bank balances, deposits and borrowings are disclosed in Notes 30 and 34, respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2015, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,940,000 lower/higher (2014: HK$1,378,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

As at 31 December 2015, if the fair values of the equity securities listed in Hong Kong had increased/decreased by 10% with all other variables held constant, post-tax profit for the year would have been HK$26,000 higher/lower (2014: HK$43,000 higher/lower) as a result of fair value gains/losses on equity securities classified as financial assets at fair value through profit or loss.

(b) Credit risk

Credit risk arises mainly from cash placed with banks, as well as credit exposures to customers. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Finance and Accounts Department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits for each customer are set with reference to the internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. As at 31 December 2015, the Group's largest customer accounted for approximately 24.8% of total trade receivables (2014: 28.8%). This customer has more than 12 months trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard.

No credit limits were exceeded during the years ended 31 December 2015 and 2014, and management does not expect any material losses from non-performance by the counterparties.

The Group controls its credit risk on cash with banks through regular review of their credit ratings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings and other liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the statement of financial position date) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the maturity analysis set out in Note 34. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. If the lenders were to invoke their unconditional rights to call the loans, the full amounts of the loans, together with interests, will be repayable immediately. The maturity analysis for obligations under finance leases is prepared based on the scheduled repayment dates.

	2015 Maturity analysis – Undiscounted cash outflows		
	Less than 1 year HK$'000	**Between 1 and 5 years HK$'000**	**Total undiscounted cash outflows HK$'000**
Term loans subject to a repayment on demand clause, including interest payable	**83,740**	**58,034**	**141,774**
Obligations under finance leases	**1,238**	**1,938**	**3,176**
Bills payable	**46,364**	**–**	**46,364**
Trust receipt loans	**1,207**	**–**	**1,207**
Bank overdrafts	**7,729**	**–**	**7,729**
Trade payables, accruals and other payables	**159,743**	**–**	**159,743**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	2014 Maturity analysis – Undiscounted cash outflows		
	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Total undiscounted cash outflows HK$'000
Term loans subject to a repayment on demand clause, including interest payable	76,652	–	76,652
Obligations under finance leases	657	875	1,532
Bills payable	43,686	–	43,686
Trust receipt loans	270	–	270
Bank overdrafts	16,151	–	16,151
Trade payables, accruals and other payables	150,105	–	150,105

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

The gearing ratios as at 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
Total borrowings	**193,960**	137,764
Less: Trade related debts	**(47,571)**	(43,956)
Cash and cash equivalents	**(204,505)**	(64,371)
Net debt	**(58,116)**	29,437
Total equity	**361,414**	245,094
Gearing ratio	**N/A**	12%

The Group did not have a net debt position as at 31 December 2015 and therefore no gearing ratio was presented.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at fair value through profit or loss	**256**	**–**	**–**	**256**
Total assets	**256**	**–**	**–**	**256**
Liabilities				
Derivative financial instruments	**–**	**–**	**3,876**	**3,876**
Total liabilities	**–**	**–**	**3,876**	**3,876**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss	434	–	–	434
Total assets	434	–	–	434
Liabilities				
Derivative financial instruments	–	–	11,863	11,863
Total liabilities	–	–	11,863	11,863

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) *Financial instruments in level 1*

The financial assets at fair value through profit or loss are based on quoted market prices at the statement of financial position date without any deduction for transaction costs.

(b) *Financial instruments in level 3*

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date.

Specific valuation technique used to value the financial instruments includes using forward exchange rates at the balance sheet date to discount back to the present value. The key unobservable data includes the interbank forward exchange rate and the volatility of forward exchange rate. Change in these unobservable data will materially affect the fair value of the financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Derivative financial instruments - net HK$'000
Opening balance	**(11,863)**
Fair value gain recognised in consolidated income statement	**7,987**
Closing balance	**(3,876)**
Total gain for the year included in consolidated income statement under 'other losses – net'	**7,987**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Available-for-sale financial assets and derivative financial instruments - net HK$'000
Opening balance	3,232
Disposals during the year	(2,834)
Fair value loss recognised in consolidated income statement	(12,261)
Closing balance	(11,863)
Total losses for the year included in consolidated income statement under 'other losses – net'	(12,261)

In 2015, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. Market rate is used as the discount rate to compute the fair value of level 3 instruments. The higher the discount rate, the lower the fair value.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. In 2015, there were no reclassifications of financial assets nor transfers between levels during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

If the budgeted gross margin used in the value-in-use calculation had been 8% lower than management's estimates at 31 December 2015, or if the estimated pre-tax discount rate applied to the discounted cash flows for the cash-generating unit had been 1% higher than management's estimates, the estimated value-in-use amount would still exceed the carrying value of goodwill not yet impaired.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Estimated impairment of goodwill (Continued)

Goodwill amounting to a total of HK$19,931,000 was subjected to an impairment test for the year ended 31 December 2015 (2014: HK$19,931,000) and concluded that an impairment of HK$8,259,000 was required. Details of the impairment charge recognised during the years ended 31 December 2015 and 2014 are set out in Note 18.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered an impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations which require the use of judgment and estimates.

(d) Estimated impairment provision for trade receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making its judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Estimated provision for inventories

The Group makes provision for inventories based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision in the year in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Fair value estimation of derivative financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent statement of financial position date. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of derivative financial instruments and available-for-sale financial assets. Key observable data includes the market forward exchange rate as at year end while key unobservable data includes interbank forward exchange rate and volatility of forward exchange rate.

(g) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.17, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the future applicable tax rate for each subsidiary of the Company at each tax jurisdiction and the profitability of each subsidiary, so as to estimate the future utilisation of tax losses.

Any difference between these estimates and the actual outcome will impact the Group's result in the period in which the actual outcome is determined.

(h) Recognition of revenue from energy management contract

The Group recognises revenue from energy management contract when the installation work has been completed and the inspection and energy saving revenue sharing confirmation has been signed by the Group and the customer (Note 5). The energy saving revenue sharing period is usually for a period of 60 months. The energy saving revenue shared by the Group are recognised as (i) sales of energy saving equipment, (ii) maintenance service income and (iii) finance lease income.

In determining the maintenance service income to be recognised, management is required to estimate the annual maintenance costs and the profitability of such service so as to estimate the maintenance service income to be deferred at the commencement of the energy management contract. Actual maintenance costs may differ from these estimates.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive Directors who make strategic decisions and assess performance.

For the two years ended 31 December 2015 and 2014, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide.

5 SEGMENT INFORMATION (Continued)

The Group considers the business from both a geographic and product perspective. From a product perspective, management assesses the performance of

(i) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;

(ii) the biodiesel products segment – the manufacturing and trading of biodiesel products in Hong Kong; and

(iii) the energy saving business segment – the provision of energy saving business solutions to customers.

Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before unallocated operating costs). Other information provided is measured in a manner consistent with that in the consolidated financial statements.

All sales between segments were eliminated on consolidation. All segment revenue reported is derived from external parties. The revenue from external parties reported to the executive Directors is measured in a manner consistent with that in the consolidated income statement.

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2015				
Total segment revenue and revenue from external customers for:				
– sales of goods	877,053	5,464	938	883,455
– revenue from services	–	–	2,850	2,850
Total revenue	877,053	5,464	3,788	886,305
Operating profit/(loss) before interest and tax	87,771	(13,365)	(6,728)	67,678
Finance income	201	–	1,528	1,729
Finance costs	(5,274)	(2)	(500)	(5,776)
Share of profit of an associate	192	–	–	192
Income tax expense	(15,521)	–	–	(15,521)
	67,369	(13,367)	(5,700)	48,302
Unallocated operating costs				(4,233)
Profit for the year				44,069
Other information:				
Depreciation and amortisation	(10,800)	(483)	(4,875)	(16,158)
Fair value gain on derivative financial instruments - net	7,987	–	–	7,987
Impairment of goodwill	–	(8,259)	–	(8,259)

5 SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2014				
Total segment revenue and revenue from external customers for:				
– sales of goods	922,594	13,047	21,263	956,904
– revenue from services	–	–	547	547
Total revenue	922,594	13,047	21,810	957,451
Operating profit/(loss) before interest and tax	79,367	(4,351)	(4,081)	70,935
Finance income	182	–	79	261
Finance costs	(4,823)	(394)	(566)	(5,783)
Income tax expense	(14,881)	–	–	(14,881)
	59,845	(4,745)	(4,568)	50,532
Unallocated operating costs				(3,686)
Profit for the year				46,846
Other information:				
Depreciation and amortisation	(11,717)	(476)	(772)	(12,965)
Fair value loss on derivative financial instruments - net	(12,261)	–	–	(12,261)
Impairment of goodwill	–	–	–	–

	2015 HK$'000	2014 HK$'000
Analysis of revenue by category:		
Sale of goods	**883,455**	956,904
Revenue from services	**2,850**	547
Total revenue and turnover	**886,305**	957,451

5 SEGMENT INFORMATION (Continued)

The Group is domiciled in Hong Kong. The Group's revenue by geographical location, which is determined by the places/countries in which the customer is located, is as follows:

	2015	2014
	HK$'000	HK$'000
The United States	**456,837**	509,268
Hong Kong	**169,733**	175,385
Europe	**171,518**	179,507
The PRC	**39,263**	54,944
Other countries	**48,954**	38,347
	886,305	957,451

For the year ended 31 December 2015, revenues of approximately HK$347,537,000 (2014: HK$370,417,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

	Electronic products	**Biodiesel products**	**Energy saving business**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2015				
Total segment assets	**631,465**	**2,660**	**92,032**	**726,157**
Unallocated:				
Cash and cash equivalents				**2,867**
Prepayments and deposits				**193**
Tax recoverable				**23**
Total assets per consolidated statement of financial position				**729,240**
Total segment liabilities	**355,600**	**944**	**9,657**	**366,201**
Unallocated:				
Accruals and other payables				**1,625**
Total liabilities per consolidated statement of financial position				**367,826**
Additions to non-current assets *(Note)*	**10,615**	**172**	**347**	**11,134**

5 SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
As at 31 December 2014				
Total segment assets	455,517	13,236	87,105	555,858
Unallocated:				
Cash and cash equivalents				125
Prepayments and deposits				48
Tax recoverable				76
Total assets per consolidated statement of financial position				556,107
Total segment liabilities	283,974	928	24,891	309,793
Unallocated:				
Accruals and other payables				1,220
Total liabilities per consolidated statement of financial position				311,013
Additions to non-current assets *(Note)*	8,558	230	–	8,788

Note: Additions to non-current assets comprise additions to leasehold land and land use rights, property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

The Group's non-current assets by geographical location, which is determined by the places/countries in which the asset is located, is as follows:

	2015 HK$'000	2014 HK$'000
Hong Kong	**100,316**	63,321
The PRC	**41,913**	56,668
	142,229	119,989

6 EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'000
Amortisation of leasehold land and land use rights *(Note 17)*	**50**	50
Auditor's remuneration		
– Audit services	**2,240**	2,192
– Non-audit services	**721**	373
Cost of inventories sold *(Note 25)*	**476,460**	555,682
Depreciation *(Note 16)*		
– Owned property, plant and equipment	**10,672**	11,936
– Leased property, plant and equipment	**779**	474
Amortisation of non-current prepayments *(Note 23)*	**4,657**	505
Employee benefit expense – excluding Directors' emoluments *(Note 9)*	**181,560**	175,552
Employee benefit expense – Directors' emoluments *(Note 10)*	**12,705**	11,645
Provision/(reversal of provision) for slow moving and obsolete inventories, net	**5,608**	(429)
Trade receivables written off/(back)	**7**	(100)
Operating lease payments	**17,785**	16,101
Other expenses	**104,728**	106,713
Total of cost of sales, distribution costs and administrative expenses	**817,972**	880,694

7 OTHER LOSSES - NET

	2015 HK$'000	2014 HK$'000
Fair value loss on financial assets at fair value through profit or loss - net	**(178)**	(231)
Fair value gain/(loss) on derivative financial instruments - net	**7,987**	(12,261)
Realised gain on disposal of available-for-sale financial assets	**–**	287
Realised (loss)/gain on derivative financial instruments	**(3,546)**	3,392
Impairment on goodwill for biodiesel business segment *(Note 18)*	**(8,259)**	–
Net foreign exchange losses	**(2,130)**	(1,040)
Gain/(loss) on disposals of property, plant and equipment *(Note 36)*	**93**	(423)
Others	**1,145**	768
	(4,888)	(9,508)

8 FINANCE INCOME AND COSTS

	2015 HK$'000	2014 HK$'000
Interests on bank loans, trust receipt loans and bank overdrafts	**5,618**	5,692
Interest on loan from a customer	**–**	5
Interest element of finance leases	**158**	86
Total finance costs	**5,776**	5,783
Less: Interest income from bank deposits	**(204)**	(187)
Finance lease interest income	**(1,525)**	(74)
Total finance income	**(1,729)**	(261)
Finance costs – net	**4,047**	5,522

9 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2015 HK$'000	2014 HK$'000
Wages and salaries	**167,745**	160,261
Pension costs – defined contribution plan in Hong Kong *(Note 11)*	**1,031**	1,037
Staff welfare and allowances *(Note 11)*	**12,784**	14,254
	181,560	175,552

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every Director and the chief executive is set out below:

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director and in connection with the management of affairs of the Company or its subsidiary undertaking:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses[2] HK$'000	Housing allowance HK$'000	Estimated money value of other benefits[1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors							
Mr. Lam Yin Kee *(Note i)*	–	4,205	1,180	–	1,800	18	7,203
Ms. Yeung Po Wah	–	1,251	150	–	–	18	1,419
Mr. Lam Chee Tai, Eric	–	1,528	150	–	–	18	1,696
Mr. So Kin Hung	–	1,205	100	–	–	18	1,323
Ms. Liu Jing *(Note ii)*	–	–	–	–	–	–	–
Non-executive Directors							
Mr. Fan Chung Yue, William	266	–	–	–	–	–	266
Mr. Pang Kwong Wah	266	–	–	–	–	–	266
Mr. Leung Kam Wah	266	–	–	–	–	–	266
Mr. Yau Ming Kim, Robert	266	–	–	–	–	–	266
	1,064	8,189	1,580	–	1,800	72	12,705

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2014:

Emoluments paid or receivable in respect of a person's services as a director and in connection with the management of affairs of the Company or its subsidiary undertaking:

Name	Fees	Salary	Discretionary bonuses[2]	Housing allowance	Estimated money value of other benefits[1]	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors							
Mr. Lam Yin Kee *(Note i)*	–	3,904	835	–	1,800	16	6,555
Ms. Yeung Po Wah	–	1,167	100	–	–	12	1,279
Mr. Lam Chee Tai, Eric	–	1,428	100	–	–	17	1,545
Mr. So Kin Hung	–	1,137	100	–	–	17	1,254
Ms. Liu Jing *(Note ii)*	–	–	–	–	–	–	–
Non-executive Directors							
Mr. Fan Chung Yue, William	253	–	–	–	–	–	253
Mr. Pang Kwong Wah	253	–	–	–	–	–	253
Mr. Leung Kam Wah	253	–	–	–	–	–	253
Mr. Yau Ming Kim, Robert	253	–	–	–	–	–	253
	1,012	7,636	1,135	–	1,800	62	11,645

1 Other benefits represent rental paid for the quarter for the Director.

2 Discretionary bonuses are determined by the remuneration committee and the Board of the Company having regard to the Company's and individual Director's performance.

Notes:

(i) Mr. Lam Yin Kee is also the chief executive officer of the Group.

(ii) Appointed on 5 March 2016.

During the two years ended 31 December 2015 and 2014, no emoluments were paid or receivable in respect of Directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

During the two years ended 31 December 2015 and 2014, none of the Directors received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No consideration was provided to or receivable by third parties for making available Directors' services. No Director waived or has agreed to waive any emoluments. All of the directors' emoluments disclosed above are paid by the Group.

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors’ loans, quasi-loans and other dealings

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: None).

(c) Directors’ material interests in transactions, arrangements or contracts

Save as disclosed in Note 39, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company’s business to which the Company or another group undertaking was or is a party that subsisted at the end of the year or at any time during the year (2014: None).

11 PENSIONS – DEFINED CONTRIBUTION PLANS/STAFF WELFARE AND ALLOWANCES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong incorporated companies within the Group and their employees makes monthly contributions to the scheme at 5% of the employees’ earnings up to a maximum of HK$1,500 per month per employee as defined under the Mandatory Provident Scheme Ordinances.

For the year ended 31 December 2015, the aggregate amount of the Group’s contributions to the MPF Scheme was approximately HK$1,103,000 (2014: HK$1,099,000). As at 31 December 2015, the Group was not entitled to any forfeited contributions to reduce the Group’s future contributions under the MPF Scheme (2014: Nil).

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as social security costs determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 13% and 8%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

12 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included two (2014: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 **HK$’000**	2014 HK$’000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,420**	4,334
Pension costs – defined contribution plan in Hong Kong	**54**	50
Bonus	**260**	280
	4,734	4,664

12 FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**2**	3

13 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2015	2014
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**8,075**	8,482
– PRC enterprise income tax *(Note a)*	**8,340**	7,622
(Over)/under-provision in prior years	**(170)**	6
Deferred income tax credit *(Note 35)*	**(724)**	(1,229)
	15,521	14,881

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC. As at 31 December 2015, the Group has six subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), 華泰電器制品(深圳)有限公司("華泰制品"), 陽江市華訊電子制品有限公司("陽江華訊"), Alltronics Energy Saving (Shenzhen) Limited ("Alltronics Energy Saving"), 南盈科技發展(深圳)有限公司("南盈") and 南華匯盈科技發展(深圳)有限公司("南華匯盈"). During the year ended 31 December 2015, these subsidiaries were subject to an income tax rate of 25% (2014: 25%) in accordance with the relevant applicable tax laws.

13 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Company's home country tax rate as follows:

	2015	2014
	HK$'000	HK$'000
Profit before income tax	**59,590**	61,727
Calculated at a taxation rate of 16.5% (2014: 16.5%)	**9,832**	10,185
Effect of different taxation rates in other countries	**2,459**	2,313
Income not subject to tax	**(128)**	(320)
Expenses not deductible for tax purposes	**1,518**	638
(Over)/under-provision in prior years	**(170)**	6
Tax losses for which no deferred income tax asset was recognised	**2,119**	2,448
Utilisation of previously unrecognised tax losses	**–**	(206)
Others	**(109)**	(183)
	15,521	14,881

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
		(Restated)
Profit attributable to owners of the Company (HK$'000)	**41,410**	45,232
Weighted average number of ordinary shares in issue (thousand) *(Note)*	**385,186**	380,448
Basic earnings per share (HK cents per share)	**10.75**	11.89

Note:

The weighted average number of ordinary shares in issue is adjusted to reflect the effect of bonus issue for the issue of 34,586,200 bonus shares by the Company on the basis of one new bonus share for every ten shares held by the shareholders on 8 June 2015 and allotted on 29 June 2015. Weighted average number of ordinary shares in issue was restated in 2014 accordingly.

14 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended 31 December 2015 and 2014, the Company did not have any dilutive potential ordinary shares.

15 DIVIDENDS

	2015	2014
	HK$'000	HK$'000
Interim dividend, paid, of HK5.0 cents (2014: HK4.5 cents, as restated*) per ordinary share	**19,022**	17,293
Proposed final dividend of HK5.0 cents (2014: HK7.3 cents, as restated*) per ordinary share	**22,481**	27,669
	41,503	44,962

* As restated on the assumption that the bonus issue had been in place in prior period.

The Directors recommend the payment of a final dividend of HK5.0 cents per ordinary share, totalling HK$22,481,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 7 June 2016. These consolidated financial statements do not reflect this proposed dividend as dividend payable but account for it as proposed dividends in reserves (Note 33).

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2015							
Cost	8,581	11,858	21,828	77,712	63,331	15,665	198,975
Accumulated depreciation	(2,622)	(9,660)	(17,188)	(63,685)	(56,838)	(10,166)	(160,159)
Net book amount	5,959	2,198	4,640	14,027	6,493	5,499	38,816
Year ended 31 December 2015							
Opening net book amount	5,959	2,198	4,640	14,027	6,493	5,499	38,816
Currency translation differences	–	(11)	(62)	(228)	50	(17)	(268)
Additions	–	340	1,643	5,021	905	3,225	11,134
Disposals	–	(4)	(84)	(211)	–	(384)	(683)
Depreciation	(173)	(785)	(1,276)	(3,945)	(3,121)	(2,151)	(11,451)
Closing net book amount	5,786	1,738	4,861	14,664	4,327	6,172	37,548
At 31 December 2015							
Cost	8,581	12,140	22,302	79,420	62,448	16,029	200,920
Accumulated depreciation	(2,795)	(10,402)	(17,441)	(64,756)	(58,121)	(9,857)	(163,372)
Net book amount	5,786	1,738	4,861	14,664	4,327	6,172	37,548

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2014							
Cost	8,581	11,506	20,347	76,505	65,201	16,205	198,345
Accumulated depreciation	(2,448)	(9,144)	(16,279)	(61,411)	(55,897)	(9,132)	(154,311)
Net book amount	6,133	2,362	4,068	15,094	9,304	7,073	44,034
Year ended 31 December 2014							
Opening net book amount	6,133	2,362	4,068	15,094	9,304	7,073	44,034
Currency translation differences	–	(75)	(136)	(487)	(159)	(103)	(960)
Additions	–	665	1,982	3,534	1,350	1,257	8,788
Disposals	–	–	(6)	(78)	–	(552)	(636)
Depreciation	(174)	(754)	(1,268)	(4,036)	(4,002)	(2,176)	(12,410)
Closing net book amount	5,959	2,198	4,640	14,027	6,493	5,499	38,816
At 31 December 2014							
Cost	8,581	11,858	21,828	77,712	63,331	15,665	198,975
Accumulated depreciation	(2,622)	(9,660)	(17,188)	(63,685)	(56,838)	(10,166)	(160,159)
Net book amount	5,959	2,198	4,640	14,027	6,493	5,499	38,816

In 1998, the Group entered into an arrangement with two independent third parties (the "Partners") for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as joint operations of the Group under HKFRS 11 "Joint Arrangements".

As at 31 December 2015, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK$4,882,000 (2014: HK$2,368,000) and HK$1,422,000 (2014: HK$676,000), respectively. The lease terms are between 4 and 5 years.

Depreciation expense of HK$8,924,000 (2014: HK$9,743,000) has been charged in cost of sales and HK$2,527,000 (2014: HK$2,667,000) in administrative expenses.

17 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015 **HK$'000**	2014 HK$'000
Opening net book amount	**1,770**	1,820
Amortisation *(Note 6)*	**(50)**	(50)
Closing net book amount	**1,720**	1,770

18 INTANGIBLE ASSETS

	Goodwill HK$'000
At 1 January 2014 and 31 December 2014	
Cost and net book amount	19,931
Impairment on goodwill for biodiesel business segment *(Note 7)*	(8,259)
At 31 December 2015	11,672
At 31 December 2015	
Cost	19,931
Impairment	(8,259)
Net book amount	11,672

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented as below.

	As at 31 December 2014 HK$'000	Impairment for the year HK$'000	**As at 31 December 2015 HK$'000**
Electronic products – Southchina	11,672	–	**11,672**
Biodiesel products – Dynamic	8,259	(8,259)	**–**
	19,931	(8,259)	**11,672**

18 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

The goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of two subsidiaries, namely Southchina Engineering and Manufacturing Limited ("Southchina") and Dynamic Progress International Limited ("Dynamic"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. Management considers Southchina and Dynamic as two separate cash-generating units (the 'CGUs'). The recoverable amount of the CGUs is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina and Dynamic, approved by management covering a five-year period. The pre-tax discount rate of 9.5% and 20.0% (2014: 9.5% and 20.0% respectively) have been applied to the cash flow projections for Southchina and Dynamic respectively to reflect specific risks relating to the CGUs.

The key assumptions used for the value-in-use calculation for Southchina and Dynamic are as follows:

	Southchina	**Dynamic**
Average gross margin	22.7%	31.1%
Annual growth rate	4.9%	5.4%
Discount rate	9.5%	20.0%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from manufacturing and trading of plastic moulds, plastic and electronic accessories for Southchina and trading of biodiesel products for Dynamic.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any other countries in which Southchina and Dynamic operate.

(c) Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the business.

18 INTANGIBLE ASSETS (Continued)

Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the goodwill of Southchina and full impairment provision amounting to HK$8,259,000 is required for the goodwill of Dynamic when comparing to the recoverable amount of Dynamic amounting to HK$638,000 as at 31 December 2015.

The key events and circumstances that led to the recognition of impairment provision of Dynamic's goodwill during the year include:

(i) loss of the government B5 biodiesel supply contract which had led to a significant decrease in sales of biodiesel products; and

(ii) the macroeconomic environment for the biodiesel business is deteriorating. The price of petroleum-based diesel dropped significantly in recent years and it is currently lower than the price of biodiesel. Such circumstance is expected to last for several years.

The Group reassessed Dynamic's property, plant and equipment and estimated that their useful lives would not be affected. No other class of asset other than Dynamic's goodwill was impaired.

19 PRINCIPAL SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held 2015	Interest held 2014
Alltronics (BVI) Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	**[1]100%**	[1]100%
Alltronics Resources Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	**[1]100%**	[1]100%
Alltronics Industries Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares totalling HK$1	**[1]100%**	[1]100%
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Research and development, manufacturing and trading of electronic products in Hong Kong and the PRC	500,000 ordinary shares totalling HK$500,000	**100%**	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares totalling HK$2	**100%**	100%

19 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held 2015	Interest held 2014
Shenzhen Allcomm Electronic Co. Ltd.	The PRC, limited liability company	Manufacturing of electronic products in the PRC	Registered capital of US$2,500,000	**100%**	100%
Dynamic Progress International Limited	Hong Kong, limited liability company	Manufacturing and trading of biodiesel in Hong Kong	10,000 ordinary shares totalling HK$10,000	**51%**	51%
WT Technology Development Company Limited	Hong Kong, limited liability company	Dormant	10,000 ordinary shares totalling HK$10,000	**100%**	65%
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares totalling HK$1,000,000	**51%**	51%
華泰電器制品(深圳)有限公司	The PRC, limited liability company	Manufacturing of transformers, solenoids and other components for electronic products in the PRC	Registered capital of RMB1,000,000	**100%**	100%
陽江市華訊電子制品有限公司	The PRC, limited liability company	Manufacturing of transformers, solenoids and other components for electronic products in the PRC	Registered capital of US$1,500,000	**100%**	100%
Alltronics Energy Saving (Shenzhen) Limited	The PRC, limited liability company	Provision of energy saving business solutions to customers	Registered capital of HK$60,000,000	**100%**	100%
南盈科技發展(深圳)有限公司	The PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$7,700,000	**51%**	51%
南華匯盈科技發展(深圳)有限公司	The PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$12,000,000	**51%**	51%

1 Shares held directly by the Company

20 INTEREST IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
At 1 January	**6,282**	–
Additional capital contribution to an associate	**11,952**	6,282
Share of profit of an associate recognised in the consolidated income statement	**192**	–
At 31 December	**18,426**	6,282

Details of the associate of the Group as at 31 December 2015 are set out below:

Name	Place of incorporation	Principal activities and place of operation	Interest held
Yichun Yilian Print Tech Co., Ltd. ("Yichun Yilian")	The PRC	Manufacturing of printers and accessory products in the PRC	49%

Yichun Yilian is a private limited liability company established on 7 November 2014. As at 31 December 2015, the registered share capital of Yichun Yilian of RMB30,000,000 has been fully paid up. There are no contingent liabilities relating to the Group's interest in the associate.

21 SHARE-BASED PAYMENT TRANSACTIONS

On 22 June 2005, the Company adopted a share option scheme (the "Share Option Scheme") for the primary purpose of providing incentives or rewards to employees and Directors of the Company or any of its subsidiaries and any supplier and/or sub-contractor of the Group (the "Participants") for their contributions or potential contributions to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent (the "General Scheme Limit") of the total number of shares on 15 July 2005, the listing date. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent limit being exceeded. Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent of the shares in issue.

21 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day; and

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The Share Option Scheme had expired on 21 June 2015.

During the two years ended 31 December 2015 and 2014, there were no share options granted, exercised, lapsed or cancelled. As at 31 December 2015 and 2014, there were no share options remained outstanding.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial asset is an unlisted equity investment in a private entity incorporated in Hong Kong and is measured at cost less impairment. In the opinion of the Directors, the available-for-sale financial asset did not have a quoted market price in an active trading market and its fair value cannot otherwise be measured reliably. The investment is for long term strategic development in the Wi-Fi equipment manufacturing.

There was no impairment provision on available-for-sale financial assets in 2015.

23 NON-CURRENT PREPAYMENTS AND DEPOSITS

	Security bond paid for biodiesel business HK$'000	Prepayments for energy saving projects in the PRC HK$'000	Prepayments for purchase of properties HK$'000	Other non-current prepayments and deposits HK$'000	Total HK$'000
At 1 January 2014	560	24,334	–	–	24,894
Addition during the year	–	7,200	–	2,754	9,954
Transfer to current portion	–	(2,097)	–	–	(2,097)
Refunded during the year	(560)	–	–	–	(560)
Amortisation charge *(Note 6)*	–	(505)	–	–	(505)
At 31 December 2014	–	28,932	–	2,754	31,686
At 1 January 2015	–	28,932	–	2,754	31,686
Addition during the year	–	–	32,570	338	32,908
Transfer to current portion	–	(1,133)	–	–	(1,133)
Amortisation charge *(Note 6)*	–	(4,657)	–	–	(4,657)
At 31 December 2015	–	23,142	32,570	3,092	58,804

Prepayments for energy saving projects represent prepaid fees to an independent third party for services relating to negotiation and execution of energy saving projects in the PRC.

Prepayments for purchase of properties represent down payments for the acquisition of properties completed on 27 January 2016 (Note 41).

24 FINANCE LEASE RECEIVABLE

	2015 HK$'000	2014 HK$'000
Non-current finance lease receivable:		
Gross receivable	**8,833**	24,490
Less: unearned income	**(2,272)**	(4,859)
	6,561	19,631
Current finance lease receivable:		
Gross receivable	**21,493**	8,719
Less: unearned income	**(1,514)**	(485)
	19,979	8,234
Gross receivable from finance lease:		
– No later than 1 year	**21,493**	8,719
– Later than 1 year and no later than 5 years	**8,833**	24,490
– Later than 5 years	**–**	–
	30,326	33,209
Unearned future finance income on finance leases	**(3,786)**	(5,344)
Net investment in finance lease	**26,540**	27,865

The net investment in finance lease may be analysed as follows:

	2015 HK$'000	2014 HK$'000
–No later than 1 year	**19,979**	8,234
–Later than 1 year and no later than 5 years	**6,561**	19,631
–Later than 5 years	**–**	–
	26,540	27,865

Net investment in finance lease is calculated based on the future minimum lease payment to be received discounted by 7% per annum.

Finance lease receivable represents the present value of the lease payments under energy management contracts. The difference between the gross receivable and the present value of the receivable is recognised as unearned income.

25 INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**109,838**	105,084
Work in progress	**51,451**	32,859
Finished goods	**46,510**	42,062
	207,799	180,005
Less: provision for slow moving and obsolete inventories	**(11,119)**	(5,511)
	196,680	174,494

The cost of inventories recognised as an expense and included in cost of inventories sold amounted to HK$476,460,000 (2014: HK$555,682,000).

26 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**113,754**	135,222
Less: provision for impairment of receivables	**–**	–
Trade receivables, net	**113,754**	135,222
Prepayments, deposits and other receivables *(Note)*	**40,636**	42,005
	154,390	177,227

Note: As at 31 December 2015, deposits include a contract performance guarantee of HK$7,554,000 paid to a supplier (2014: HK$15,600,000).

As at 31 December 2015 and 2014, the fair values of trade receivables approximated their carrying amounts.

The Group's sales to corporate customers are entered into on credit terms of up to 120 days, except for certain credit worthy customers to whom a longer credit period is allowed.

26 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables at the statement of financial position dates based on invoice date is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 30 days	**73,510**	77,406
31 – 60 days	**28,366**	37,361
61 – 90 days	**8,420**	16,536
91 – 120 days	**2,428**	3,165
121 – 365 days	**938**	723
Over 365 days	**92**	31
	113,754	135,222

As at 31 December 2015, trade receivables of HK$16,819,000 (2014: HK$26,258,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 30 days	**11,594**	20,609
31 – 60 days	**3,546**	4,859
61 – 90 days	**1,285**	279
91 – 120 days	**193**	400
121 – 365 days	**162**	80
Over 365 days	**39**	31
	16,819	26,258

As of 31 December 2015 and 2014, none of the trade receivables were impaired and there were no provision for impairment required.

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

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

26 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

	2015 HK$'000	2014 HK$'000
US dollar	**87,573**	114,813
HK dollar	**19,755**	16,005
RMB	**6,426**	4,404
	113,754	135,222

Credit quality analysis of the Group's fully performing trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
Existing customers (more than 12 months) with no defaults in the past	**87,120**	105,438
New customers (less than 12 months)	**9,815**	3,526
	96,935	108,964

As at 31 December 2015, the Group's trade receivables of approximately HK$356,000 (2014: HK$1,848,000) were pledged with banks to secure banking facilities granted to the Group (Note 38(b)).

27 AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The balances due from/to non-controlling shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

The balances are denominated in Hong Kong dollars.

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed securities:		
Equity securities – Hong Kong, at market values	**256**	434

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other losses – net' in the consolidated income statement (Note 7). The fair value of all equity securities is based on their current bid prices in an active market.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2015 was US$6,000,000 (approximately HK$46,800,000) (2014: US$42,000,000 (approximately HK$327,600,000)). Changes in fair values of derivative financial instruments are recorded in 'other losses - net' in the consolidated income statement (Note 7).

30 CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash at bank and on hand	**204,505**	64,371
Maximum exposure to credit risk	**202,550**	62,618
Denominated in:		
– US dollar	**65,243**	28,065
– HK dollar	**77,660**	11,143
– RMB	**61,353**	24,915
– Other currencies	**249**	248
	204,505	64,371

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	**204,505**	64,371
Bank overdrafts *(Note 34)*	**(7,729)**	(16,151)
	196,776	48,220

The Group's cash and bank balances of approximately HK$20,899,000 and HK$24,915,000 as at 31 December 2015 and 2014, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

31 TRADE PAYABLES

The ageing analysis of trade payables at the statement of financial position dates based on invoice date is as follows:

	2015 HK$'000	2014 HK$'000
0 – 30 days	**57,425**	52,330
31– 60 days	**45,024**	38,082
61– 90 days	**6,544**	12,966
91 – 120 days	**1,097**	2,562
121 – 365 days	**3,149**	1,366
Over 365 days	**975**	498
	114,214	107,804

The fair values of trade payables approximated their carrying values.

32 SHARE CAPITAL AND PREMIUM

	2015 HK$'000	2014 HK$'000
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
449,620,200 (2014: 345,862,000) ordinary shares of HK$0.01 each	**4,496**	3,459

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

	Note	**Number of shares in issue**	**Issued capital HK$'000**	**Share premium (Note 33) HK$'000**	**Total HK$'000**
At 1 January 2014 and 2015		345,862,000	3,459	42,568	46,027
Bonus issues of shares	*(a)*	34,586,200	345	(345)	–
New shares placed at HK$1.88 per share	*(b)*	69,172,000	692	127,391	128,083
At 31 December 2015		449,620,200	4,496	169,614	174,110

Notes:

(a) Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 28 May 2015, the Company has allotted and issued 34,586,200 bonus shares on 29 June 2015, credited as fully paid at par, on the basis of one new bonus share for every ten shares held by the shareholders of the Company whose names appeared on the register of members of the Company on 8 June 2015.

(b) Pursuant to a placing agreement dated 20 November 2015 entered into by the Company with an independent placing agent, the Company has allotted and issued 69,172,000 new shares on 7 December 2015, at a placing price of HK$1.88 per share. Details of the placing were set out in the announcements dated 20 November 2015 and 7 December 2015 respectively issued by the Company.

33 RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2014	42,568	5,799	8,616	16,301	268	42	153,144	27,669	254,407
Comprehensive income									
Profit for the year	–	–	–	–	–	–	45,232	–	45,232
Other comprehensive loss									
Currency translation differences	–	–	–	(927)	–	–	–	–	(927)
Total other comprehensive loss for the year	–	–	–	(927)	–	–	–	–	(927)
Total comprehensive income/(loss) for the year	–	–	–	(927)	–	–	45,232	–	44,260
Revaluation reserve on available-for-sale financial assets realised upon disposal	–	–	–	–	(268)	–	–	–	(268)
Interim dividend paid	–	–	–	–	–	–	(17,293)	–	(17,293)
Proposed final dividend	–	–	–	–	–	–	(27,669)	27,669	–
Final dividend paid relating to 2013	–	–	–	–	–	–	–	(27,669)	(27,669)
Allocation to statutory reserve	–	–	1,997	–	–	–	(1,997)	–	–
Balance at 31 December 2014	42,568	5,799	10,613	15,329	–	42	151,417	27,669	253,437

33 RESERVES (Continued)

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2015	42,568	5,799	10,613	15,329	–	42	151,417	27,669	253,437
Comprehensive income									
Profit for the year	–	–	–	–	–	–	41,410	–	41,410
Other comprehensive loss									
Currency translation differences	–	–	–	(9,201)	–	–	–	–	(9,201)
Total other comprehensive loss for the year	–	–	–	(9,201)	–	–	–	–	(9,201)
Total comprehensive income/(loss) for the year	–	–	–	(9,201)	–	–	41,410	–	32,209
Change in ownership interests in a subsidiary without change in control	–	–	–	–	–	–	(30)	–	(30)
Bonus issue of shares	(345)	–	–	–	–	–	–	–	(345)
New shares placed	127,391	–	–	–	–	–	–	–	127,391
Interim dividend paid	–	–	–	–	–	–	(19,022)	–	(19,022)
Proposed final dividend	–	–	–	–	–	–	(22,481)	22,481	–
Final dividend paid relating to 2014	–	–	–	–	–	–	–	(27,669)	(27,669)
Allocation to statutory reserve	–	–	2,222	–	–	–	(2,222)	–	–
Balance at 31 December 2015	169,614	5,799	12,835	6,128	–	42	149,072	22,481	365,971

Note a:

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries.

34 BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2015 HK$'000	2014 HK$'000
Current liabilities		
Bank overdrafts, secured *(Note 30)*	**7,729**	16,151
Bills payable, secured	**46,364**	43,686
Trust receipt loans, secured	**1,207**	270
Portion of term loans from banks due for repayment within one year *(Note a)*	**79,910**	76,230
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause *(Note a)*	**55,782**	–
Obligations under finance leases *(Note b)*	**1,131**	596
	192,123	136,933
Non-current liabilities		
Obligations under finance leases (Note b)	**1,837**	831

Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 38.

The carrying amount of the Group's borrowings are denominated in HK dollars.

(a) The Group's bank loans were due for repayment as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**79,910**	76,230
In the second year	**27,072**	–
In the third to fifth year	**28,710**	–
	135,692	76,230

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

34 BORROWINGS (Continued)

(b) The Group's finance lease liabilities were repayable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**1,238**	656
In the second year	**800**	656
In the third to fifth year	**1,138**	219
	3,176	1,531
Future finance charges on finance leases	**(208)**	(104)
Present value of finance lease liabilities	**2,968**	1,427

The present value of finance lease liabilities is as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**1,131**	596
In the second year	**740**	621
In the third to fifth year	**1,097**	210
	2,968	1,427

(c) The effective interest rates per annum at the statement of financial position date were as follows:

	2015	2014
Bank loans	**2.9%**	3.0%
Obligations under finance leases	**3.9%**	4.3%
Bills payable	**3.1%**	3.7%
Trust receipt loans	**5.0%**	5.0%
Bank overdrafts	**5.6%**	5.8%

Some of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's, the Group's and the subsidiaries' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan arrangements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

34 BORROWINGS (Continued)

The Group regularly monitor its compliance with these covenants, are up to date with the scheduled repayments of the term loans and do not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Group continue to meet these requirements. Further details of the Company's management of liquidity risk are set out in Note 3.1(c). During the year ended 31 December 2015, none of the lenders had exercised their rights to demand immediate repayment of drawn down facilities, either at their sole discretion or due to any breach of covenants.

35 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2015	2014
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(2,498)**	(1,873)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**1,248**	1,347

The gross movement on the deferred income tax account is as follows:

	2015	2014
	HK$'000	HK$'000
Beginning of the year	**(526)**	703
Credited to the consolidated income statement *(Note 13)*	**(724)**	(1,229)
End of the year	**(1,250)**	(526)

35 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Decelerated tax depreciation HK$'000	Provision HK$'000	Total HK$'000
At 1 January 2014	(18)	(870)	(888)
Credited to the consolidated income statement	(575)	(410)	(985)
At 31 December 2014	(593)	(1,280)	(1,873)
Credited to the consolidated income statement	(364)	(261)	(625)
At 31 December 2015	(957)	(1,541)	(2,498)

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2015, the Group had estimated unrecognised tax loss of HK$80,813,000 (2014: HK$67,971,000) to carry forward against future taxable income. Except for the estimated tax losses of HK$25,563,000 (2014: HK$20,322,000) expiring within five years, the remaining tax losses have no expiry.

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
At 1 January 2014	1,591
Charged to the consolidated income statement	(244)
At 31 December 2014	1,347
Credited to the consolidated income statement	(99)
At 31 December 2015	1,248

Deferred income tax liabilities of HK$8,740,000 have not been recognised as at 31 December 2015 (2014: HK$6,405,000) for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries. Unremitted earnings totalled HK$87,404,000 at 31 December 2015 (2014: HK$64,049,000).

36 CASH GENERATED FROM OPERATIONS

	2015 HK$'000	2014 HK$'000
Profit before income tax	**59,590**	61,727
Adjustments for:		
Depreciation *(Note 16)*	**11,451**	12,410
Amortisation of leasehold land and land use rights *(Note 17)*	**50**	50
Amortisation of non-current prepayments *(Note 23)*	**4,657**	505
Impairment on goodwill for biodiesel business segment *(Note 18)*	**8,259**	–
(Gain)/loss on disposals of property, plant and equipment	**(93)**	423
Realised gain on available-for-sale financial assets *(Note 7)*	**–**	(287)
Fair value loss on financial assets at fair value through profit or loss, net *(Note 7)*	**178**	231
Fair value (gain)/loss on derivative financial instruments *(Note 7)*	**(7,987)**	12,261
Finance costs – net *(Note 8)*	**4,047**	5,522
Share of profit of an associate *(Note 20)*	**(192)**	–
	79,960	92,842
Changes in working capital:		
Finance lease receivable	**(11,745)**	(7,634)
Trade receivables	**21,468**	(16,474)
Prepayments, deposits and other receivables	**2,502**	(15,280)
Inventories	**(22,186)**	33,292
Amounts due from non-controlling shareholders of a subsidiary	**(116)**	89
Amounts due to non-controlling shareholders of a subsidiary	**(37)**	–
Amount due from a related company	**–**	45
Amount due from the ultimate holding company	**–**	34
Bills payable and trust receipt loans	**3,615**	(6,787)
Trade payables	**(1,927)**	(2,480)
Accruals and other payables	**3,228**	(3,662)
Deferred revenue	**(3,135)**	5,829
Cash generated from operations	**71,627**	79,814

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2015 HK$'000	2014 HK$'000
Net book amount *(Note 16)*	**683**	636
Gain/(loss) on disposals of property, plant and equipment	**93**	(423)
Proceeds from disposals of property, plant and equipment	**776**	213

36 CASH GENERATED FROM OPERATIONS (Continued)

Non-cash transaction

The principal non-cash transaction is the acquisition of property, plant and equipment under finance lease amounting to HK$2,645,000 for the year ended 31 December 2015 (2014: HK$Nil).

37 COMMITMENTS

(a) Financial commitment for investment in a subsidiary

During the year ended 31 December 2015, the registered capital of Alltronics Energy Saving (Shenzhen) Limited, a wholly owned foreign investment enterprise set up by the Group in the PRC, had been increased from HK$40,000,000 to HK$60,000,000. As at 31 December 2015, the paid up registered capital of Alltronics Energy Saving (Shenzhen) Limited amounted HK$50,000,000 (As at 31 December 2014: the paid up capital amounted to HK$40,000,000). The remaining HK$10,000,000 unpaid registered capital is required to be paid by the Group on or before 29 January 2017.

(b) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have different terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	HK$'000	HK$'000
Not later than one year	**20,759**	17,206
Later than one year and not later than five years	**50,638**	38,948
Later than five years	**7,799**	10,338
	79,196	66,492

38 BANKING FACILITIES

As at 31 December 2015, the Group's total available banking facilities amounted to approximately HK$503 million (2014: HK$417 million), of which approximately HK$308 million (2014: HK$281 million) was unutilised. The facilities were secured by the following:

(a) pledge of the Group's fixed deposits denominated in HK$ of approximately HK$6.6 million (2014: HK$6.6 million) at effective interest rates of 0.24% to 0.50% per annum, and bank deposits denominated in US$ of approximately HK$3.9 million (2014: HK$3.9 million) at an effective interest rate of 0.01% per annum; and

(b) the Group's trade receivables of HK$0.4 million (2014: HK$1.8 million) (Note 26).

Some of the banking facilities granted during the year ended 31 December 2015 and 2014 to a subsidiary, Southchina, were also secured by personal guarantees given by Mr. Lam Yin Kee, a Director of the Company and other non-controlling shareholders of Southchina.

39 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owned 56.5% of the Company's shares as at 31 December 2015 (2014: 66.8%). In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company and Mr. Lam Yin Kee is the ultimate controlling party of the Company.

(a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	2015	2014
	HK$'000	HK$'000
Sales of goods to an associate, Yichun Yilian	**1,612**	–
Rental expenses paid to Profit Home Investments Limited (i)	**1,800**	1,800

(i) Ms. Yeung Po Wah and Mr. Lam Chee Tai, Eric are executive Directors of the Company, and have 60% and 20% equity interests in Profit Home Investments Limited respectively.

(b) Key management compensation

	2015	2014
	HK$'000	HK$'000
Directors' fees	**1,064**	1,014
Salaries and other short-term employee benefits	**23,260**	22,377
Pension costs – defined contribution plans	**252**	238
	24,576	23,629

40 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 29 October 2015, the Group acquired an additional 35% of the issued shares of WT Technology Development Company Limited for a purchase consideration of HK$1. The Group recognised an increase in non-controlling interests and a decrease in equity attributable to owners of the Company of HK$30,000 respectively. The effect of changes in the ownership interest of WT Technology Development Company Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2015	2014
	HK$'000	HK$'000
Carrying amount of non-controlling interests acquired	**(30)**	–
Consideration paid to non-controlling interests	**–**	–
Effect for transaction with non-controlling interests on equity attributable to owners of the Company	**(30)**	–

41 EVENT AFTER THE REPORTING PERIOD

On 27 January 2016, the Group completed the acquisition of the properties located at 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong together with four car parking spaces. Details of the acquisition were set out in the announcements issued by the Company dated 10 November 2015, 20 November 2015 and 27 January 2016 respectively, and the circular issued by the Company dated 24 December 2015. The properties will be used as the Group's new head office in Hong Kong.

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

		As at 31 December	
		2015	2014
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Available-for sale financial asset		**5,000**	–
Investments in subsidiaries		**224,046**	139,211
		229,046	139,211
Current assets			
Prepayments, deposits and other receivables		**193**	48
Tax recoverable		**23**	76
Cash and cash equivalents		**2,867**	125
Total current assets		**3,083**	249
Total assets		**232,129**	139,460
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**4,496**	3,459
Reserves	*a*	**226,008**	100,260
Total equity		**230,504**	103,719
LIABILITIES			
Current liabilities			
Accruals and other payables		**1,625**	1,220
Amount due to a subsidiary		**–**	34,521
Total current liabilities		**1,625**	35,741
Total equity and liabilities		**232,129**	139,460

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2016 and was signed on its behalf by:

Lam Yin Kee	**Yeung Po Wah**
Director	*Director*

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2014	42,568	42	30,254	27,669	100,533
Profit for the year	–	–	44,689	–	44,689
Interim dividend paid	–	–	(17,293)	–	(17,293)
Proposed final dividend	–	–	(27,669)	27,669	–
Final dividend relating to 2013	–	–	–	(27,669)	(27,669)
Balance at 31 December 2014	42,568	42	29,981	27,669	100,260
Balance at 1 January 2015	**42,568**	**42**	**29,981**	**27,669**	**100,260**
Profit for the year	**–**	**–**	**45,393**	**–**	**45,393**
Bonus issue of shares	**(345)**	**–**	**–**	**–**	**(345)**
New shares placed	**127,391**	**–**	**–**	**–**	**127,391**
Interim dividend paid	**–**	**–**	**(19,022)**	**–**	**(19,022)**
Proposed final dividend	**–**	**–**	**(22,481)**	**22,481**	**–**
Final dividend relating to 2014	**–**	**–**	**–**	**(27,669)**	**(27,669)**
Balance at 31 December 2015	**169,614**	**42**	**33,871**	**22,481**	**226,008**

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2015:

	Year ended 31 December				
	2015	2014	2013	2012	2011
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**886,305**	957,451	775,882	788,688	801,694
Profit before income tax	**59,590**	61,727	54,630	48,828	45,372
Income tax expense	**(15,521)**	(14,881)	(12,964)	(11,542)	(13,355)
Profit for the year	**44,069**	46,846	41,666	37,286	32,017
Non-controlling interests	**(2,659)**	(1,614)	3,966	976	1,406
Profit attributable to owners of the Company	**41,410**	45,232	45,632	38,262	33,423
Assets and liabilities					
Total assets	**729,240**	556,107	553,890	472,064	425,097
Total liabilities	**(367,826)**	(311,013)	(309,259)	(244,813)	(210,008)
Total equity	**361,414**	245,094	244,631	227,251	215,089

Note:

(1) The results of the Group for each of the two years ended 31 December 2015 and 2014 and its assets and liabilities as at 31 December 2015 and 2014 are those set out on pages 37 to 40 of this report and are presented on the basis as set out in note 2 to the consolidated financial statements.