



# Alltronics Holdings Limited 華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 833



# 2018

## Annual Report

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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

Mr. MENG Fei (*executive duties suspended*)

### Non-executive Director

Mr. FAN, William Chung Yue

### Independent Non-executive Directors

Mr. PANG Kwong Wah

Mr. YAU Ming Kim, Robert

Mr. YEN Yuen Ho, Tony

Mr. LIN Kam Sui

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 408, 4/F, Citicorp Centre,

18 Whitfield Road,

Hong Kong

### COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

### STOCK CODE

833

## INDEPENDENT AUDITOR

Ernst & Young

## AUDIT COMMITTEE

Mr. PANG Kwong Wah (*Chairman*)

Mr. YAU Ming Kim, Robert

Mr. YEN Yuen Ho, Tony

## PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hong Kong and Shanghai Banking Corporation 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 2018.

## **BUSINESS REVIEW**

The year 2018 was a challenging year for the Group. In order to cope with the increasing demand from customers, new production facilities have been set up at Yichun to expand the Group's overall production capacity. In December 2018, the Group has decided to dispose of its investment properties business. The disposal is expected to be completed in the first half of 2019. The disposal will strengthen the Group's financial position and will provide funds for the future expansion of the Group's core manufacturing business.

Total revenue for the year from continuing operations had increased slightly by 0.8% to HK\$1,284.8 million. The net profit attributable to owners of the Company for the year had decreased by 6.1% from HK\$111.0 million to HK\$104.2 million. The decrease in net profit was mainly due to the reduction in the average gross profit margin for electronic products. During the year, the Group has relocated certain of its production facilities for electronic component products from Shenzhen and Yangxi to Yichun. The relocation has caused temporary production halts and interruptions. The efficiency rate during the early stage of operation of the new production facilities was low as well. These had lowered the overall gross profit margin for electronic products. Furthermore, the unstable supply of certain raw materials had led to increase in raw material costs which also affected the overall gross profit margin. On the other hand, the demand from customers for electronic products had remained strong and stable.

Regarding the LED energy saving business segment, as of 31 December 2018, the Group had completed the installation work and inspection procedures at over 650 retail stores of Suning.com Co., Ltd. ("Suning"). The Group had also completed the installation work and inspection procedures at two hotels operated by HNA Group Co., Ltd.

United States continued to be the major market for the Group's products and accounted for approximately 47.3% of the total revenue for the year.

## **PROSPECTS**

Although the global economy in 2019 will still be uncertain, I have confidence to tackle the challenges ahead by continuously exploring new markets and new customers to broaden the customer base of the Group and to expand the revenue stream. Demand from customers will remain strong and new products will also be launched in 2019. The production facilities of the factories at Shenzhen and Yichun are sufficient to cope with increasing demand from customers.

During the year, the operations of the Group's associated company, Yichun Yilian Print Tech. Co. Ltd. ("Yichun Yilian"), were encouraging. New strategic investors had joint Yichun Yilian to broaden its shareholders' base and to provide additional funds to finance its fast growing business. I expect the operations of Yichun Yilian will continue to expand in 2019 and its contribution to the Group will also increase.

Regarding the energy saving business segment, the Group will continue the installation work at other retail stores of Suning.

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.

## CHAIRMAN'S STATEMENT

### **DIVIDEND**

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board did not recommend the payment of any dividend for the year.

### **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.

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, 28 March 2019

## FINANCIAL REVIEW CONTINUING OPERATIONS

### Revenue

Total revenue from continuing operations for the year ended 31 December 2018 had increased slightly by 0.8% to HK\$1,284.8 million, as compared to HK\$1,275.2 million for the year 2017. The increase was mainly due to the increase in revenue from electronic products segment during the year.

The turnover analysis by business segments for the two years ended 31 December 2018 and 2017 respectively are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Revenue from sales of electronic products	<b>1,277,160</b>	1,235,370
Revenue from biodiesel products and energy efficient gas stoves	<b>4,161</b>	3,828
Revenue from energy saving business	<b>3,492</b>	36,023
	<b>1,284,813</b>	1,275,221

Sales of electronic products comprise sales of finished electronic products; plastic moulds; plastic and other components for electronic products. The demand for the Group's finished electronic products remained stable during the year, and had decreased slightly from HK\$991.6 million in 2017 to HK\$959.6 million in 2018. During the year, sales revenue from the Group's major products, irrigation controllers, to the largest customer of the Group in the United States had decreased by HK\$14.8 million. Sales of walkie-talkie products had decreased by approximately HK\$26.4 million. On the other hand, the total sales revenue from components for electronic products, including transformers and adapters, had increased by approximately HK\$91.9 million, from HK\$164.8 million in 2017 to HK\$256.7 million in 2018. Sales revenue from plastic moulds and plastic components for electronic products had dropped from HK\$79.0 million in 2017 to HK\$72.0 million in 2018.

The demand for biodiesel products continued to remain at a low level during the year with total sales revenue of approximately HK\$1.7 million. On the other hand, total revenue from energy efficient gas stoves was HK\$2.4 million.

Regarding the energy saving business segment, total revenue recognised during 2018 was HK\$3.5 million, as compared to HK\$36.0 million in 2017. The revenue represented the energy saving revenue generated from retail stores of Suning Commerce Group Co., Ltd. ("Suning") and hotels operated by the HNA Group Co., Ltd. with LED lighting equipment installed. The decrease in energy saving revenue during the year was mainly due to the drop in the number of retail stores of Suning which had completed inspection procedures and commenced to generate energy saving revenue during the year. As of 31 December 2018, over 650 retail stores of Suning had completed the installation work and the inspection procedures. The Group will continue the installation work at other Suning retail stores in 2019. As of 31 December 2018, the Group had completed the installation work and inspection procedures at two hotels operated by the 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 47.3% of the total revenue for the year (2017: 47.6%). Revenue from customers in the PRC had decreased by HK\$32.1 million. Sales to customers in Hong Kong had increased slightly by HK\$3.6 million while sales to customers in Europe had increased by HK\$30.7 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

The overall gross profit margin from continuing operations had declined from 21.7% for the year ended 31 December 2017 to 14.5% for 2018. The decrease in overall gross profit margin was mainly due to the drop in the gross profit margin of certain electronic products as a result of fluctuation in raw material prices and increasing labour costs and overheads. In addition, certain production facilities for the manufacture of component products had been relocated from Shenzhen and Yangxi to Yichun, which had caused additional costs, temporary production halts and interruptions. The efficiency level of the new production facilities at the early stage of operations was also low. These factors had affected the average gross profit margin for the year. In view of the challenging market conditions, the Group will continue its effort to tighten the controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin for the electronic product segment.

### Expenses and finance costs

Administrative expenses had decreased by HK\$4.8 million which was mainly due to the decrease in directors' remuneration and legal and professional fees. Distribution costs had decreased by HK\$2.1 million during the year which was mainly due to reduction in sales commission paid.

Total finance costs had increased by HK\$5.6 million which was mainly due to the increase in borrowings for the continuing operations during the year.

### Other income/expenses

During the year, the Group has disposed of partial interests in an associate and resulted in a gain of HK\$18.4 million. In addition, a gain on deemed disposal of partial interests in another associate of HK\$18.0 million has been recognised.

### Profit attributable to owners of the parent

Profit attributable to owners of the Company from continuing operations for the year was HK\$75.4 million, compared to HK\$108.7 million for the year 2017. The decrease was mainly due to the drop in overall gross profit margin on electronic products.

### SIGNIFICANT DISPOSAL AND DISCONTINUED OPERATION

On 20 December 2018, the Group had entered into a sale and purchase agreement to dispose of the entire issued share capital of Bonroy Limited ("Bonroy"). Bonroy and its subsidiaries (the "Bonroy Group") carried out all of the Group's investment properties business and the principal asset of the Bonroy Group is the investment properties known as "Sunshine Plaza" located at Beijing, The People's Republic of China (the "PRC"). At the extraordinary general meeting of the Company held on 20 March 2019, the resolution for the disposal transaction was duly approved by the shareholders of the Company. The disposal transaction is expected to be completed in the first half of 2019. For details, please refer to the announcements of the Company dated 20 December 2018, 15 January 2019 and 20 March 2019, and the circular dated 27 February 2019 issued by the Company.

During the year, the net profit from the discontinued investment properties business segment was HK\$28.8 million.

### PRODUCTION FACILITIES

The Group currently has three production facilities in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen and one in Yichun. During the year, the Group spent approximately HK\$24.2 million as capital expenditure to enhance its production capacity.

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 2018, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$37.9 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2018, total borrowings of the Group amounted to HK\$398.0 million, comprising bank overdrafts of HK\$27.5 million, bank loans of HK\$367.6 million, trust receipt loans of HK\$2.5 million, and obligations under finance leases of HK\$0.4 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for each of these borrowings at 31 December 2018 ranged from approximately 3.2% to 5.5%.

The Group's trade receivable turnover, inventory turnover and trade payable turnover for the year were approximately 63 days, 92 days and 75 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 2018, the Group's total current assets were HK\$3,598.0 million, compared to HK\$837.6 million as at 31 December 2017, and the Group's total current liabilities were HK\$3,340.3 million compared to HK\$907.4 million as at 31 December 2017. The current ratio (current assets/current liabilities) as at 31 December 2018 was 1.08 times, compared to 0.92 times as at 31 December 2017. The increases in current assets and current liabilities as at 31 December 2018 were mainly due to the inclusion of the assets and liabilities of the discontinued investment properties business classified as assets and associated liabilities held for sale.

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.

At 31 December 2018, the Company had in issue a total of 946,116,360 ordinary shares. A new share option scheme (the "2016 Share Option Scheme") has been adopted by the shareholders of the Company at the annual general meeting of the Company held on 7 June 2016. There were no share options granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 31 December 2018, the Company did not have any share options outstanding.

## CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2018 was HK\$37.9 million, which had decreased by HK\$115.0 million compared to the balance at 31 December 2017.

The net cash used in operating activities for the year was HK\$137.2 million. The net cash generated from investing activities amounted to HK\$11.7 million, which was mainly due to the sale proceeds of HK\$23.4 million received from disposal of partial interest in an associate.

On the other hand, there was a net cash inflow of HK\$5.1 million from financing activities. During the year, new borrowings of HK\$248.7 million were obtained and HK\$198.5 million was used to repay borrowings and finance leases, and HK\$47.3 million was paid to shareholders as dividends.

## CAPITAL EXPENDITURE

During the year, the Group acquired property, plant and equipment at a total cost of HK\$24.2 million, mainly financed by internal resources of the Group.

## PLEDGE OF ASSETS

At 31 December 2018, the Group had total bank borrowings (excluding obligations under finance leases) of HK\$397.6 million, out of which HK\$62.2 million were secured by the leasehold property of HK\$173.5 million and HK\$15.0 million were secured by short-term bank deposits of HK\$6.6 million and trade receivables of HK\$0.8 million.

### DEBT POSITION AND GEARING

As at 31 December 2018, the Group has net debts (being total bank and other borrowings excluding trade debts and net of cash and cash equivalents) of approximately HK\$330.8 million. The total equity was approximately HK\$579.8 million. The gearing ratio as at 31 December 2018 was approximately 57.1%. For the year ended 31 December 2017, the gearing ratio for the continuing operations (excluding borrowings of the investment properties business segment) was approximately 30.2%.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the maintaining appropriate debt and equity balance. The directors of the Company review the capital structure of the Group on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through various alternatives including the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

### LITIGATION AND CONTINGENT LIABILITIES

On 15 November 2016, 北京金馬長城房產建設有限責任公司 (Beijing Jinma Changcheng Real Estate Construction Co., Ltd.) (“Jinma Changcheng”) as plaintiff instituted litigation against Beijing Wan Heng Da Investment Company Limited (“Beijing Wan Heng Da”), being an indirect wholly-owned subsidiary of the Group, as defendant in respect of the dispute on possession of properties, to claim for (i) Beijing Wan Heng Da to vacate the premises located at 2-05, 2-06, second floor of the Pretty Shopping Centre, the venue of 286.09 sq.m. at the west exit on the first floor of the Pretty Shopping Centre, the venue with an additional floor area of 501.74 sq.m. on the elevated corridor on the first floor of the Pretty Shopping Centre and the venue with an additional floor area of 212.02 sq.m. at the westside tunnel on the second floor of the Pretty Shopping Centre (the “Disputed Properties”); (ii) payment of a daily occupation fee of RMB19,719.3 by Beijing Wan Heng Da for the period from 1 January 2016 and until the date of actual relocation; and (iii) costs of the litigation in respect of the case shall be borne by Beijing Wan Heng Da.

On 10 June 2018, Jinma Changcheng as plaintiff applied to the court for judicial expertise over the rental prices and value of the Disputed Properties. On 11 July 2018, a valuation report provided by 北京華天通房地產評估有限公司 concluded that the value and rental prices of the Disputed Properties are RMB44,808,262 and RMB3,859,336 for the period of 1 January 2016 to 22 December 2017, and are RMB46,573,535 and RMB587,525 for the period of 23 December 2017 to 9 April 2018.

Taking into account of the fact that the Disputed Properties were auctioned to 涿州市萬豐商貿有限公司 (“萬豐商貿”) by Baoding Intermediate People’s Court of Hebei Province on 12 December 2017, Beijing Chaoyang People’s Court added 萬豐商貿 as a third party in this case according to law. The case was heard by Beijing Chaoyang People’s Court on 28 August 2018 and a final decision was made by the Beijing Intermediate People’s Court III on 24 December 2018. The final decision ruled that Beijing Wan Heng Da (i) has to pay a compensation of RMB3,859,336 to Jinma Changcheng; (ii) has to return the Disputed Properties to 萬豐商貿; (iii) has to pay a daily rental of RMB5,490.90 to 萬豐商貿 for the period from 26 January 2018 up to the date the Disputed Properties were returned to 萬豐商貿; and (vi) has to bear the relevant property valuation and legal costs. As at the date of this report, the Disputed Properties have been returned to 萬豐商貿. The total amount of compensation and costs payable by Beijing Wan Heng Da up to 31 December 2018, which amounted to approximately RMB5.9 million, has been fully accounted for in the consolidated statement of profit or loss for the year ended 31 December 2018.

As at 31 December 2018 and 2017, the Group did not have any material litigation and contingent liability.

## EMPLOYEES

At 31 December 2018, the Group had 3,456 employees, of which 76 were employed in Hong Kong and 3,380 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.

No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 31 December 2018, there were no share options remained outstanding.

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 revenue are denominated in United States dollars and Renminbi, and most of the purchases of raw materials and expenses 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, including the entering into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. As at 31 December 2018, the Group did not have any outstanding forward foreign exchange contracts 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 actions as appropriate to minimise the Group's exposure whenever necessary.

## OUTLOOK

### Electronic Products Segment

The Group is cautiously optimistic for the year 2019 though the global economic environment will remain uncertain. Factors such as the ongoing global trade disputes, the limited supply of certain critical electronic components, the risk of fluctuation of exchange rate of Renminbi against United States dollars and Hong Kong dollars and the risk of fluctuation of interest rate will continue to affecting the performance of the Group's electronic products segment. The Group will continue its efforts to manage these factors and to tighten controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

Management foresees that the demand for the Group's irrigation controllers and other major electronic products will remain stable in 2019. New models of walkie-talkie products and intelligent educational toys will provide strong momentum for the growth in revenue in 2019. The new production facilities at Yichun for its electronic products and components will expand the Group's overall production capacity to cope with the increasing demand from customers and for production of new products to be launched. The Group has confidence that the overall performance of the electronic products segment will remain strong in the near future.

The ongoing trade disputes between the United States and the PRC may further escalate geopolitical tensions and may lead to negative impact to the global economy. The Group is working closely with its customers affected looking for ways to mitigate any effects that the potential tariffs may have if they are fully implemented. The final outcome of these disputes may have an impact on the Group's performance in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of geographical market, the Group foresees that United States will still be the major market for its products in 2019. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Yichun Yilian Print Tech. Co., Ltd. ("Yichun Yilian") is an associate of the Group, which is established in the PRC and principally engaged in the manufacturing and sale of printers and other accessory products. During the year, new investors had injected additional capital into Yichun Yilian and the equity interests of the Group in Yichun Yilian had been diluted to 40.4% as at 31 December 2018. During the year, Yichun Yilian had also established new channels to sell its printers and printing services through internet platforms. Management expects that profit contribution from Yichun Yilian to the Group will increase in 2019.

The Group will continue to explore opportunities for new electronic products with other potential customers so as to broaden its revenue base and to maintain its growth momentum.

### **Energy saving business**

The LED lighting equipment installation work for the retail stores of Suning continued during the year and as at 31 December 2018, over 650 retail stores of Suning have completed the installation work and generating energy saving revenue. The Group will continue the installation work at other retail stores of Suning during 2019.

### **Biodiesel products and energy saving gas stoves segment**

The Group expects that the revenue from biodiesel products will remain stable during 2019, and expects the operations of the energy efficient gas stoves business will have a steady growth in 2019.

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

### **DIVIDEND**

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Final dividend of HK5 cents per share). The Board will consider future dividend distribution in due course according to dividend policy.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 3 June 2019 to 6 June 2019 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the annual general meeting to be held on 6 June 2019 (the "AGM"), 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 31 May 2019.

## DIRECTORS

### Executive Directors

**Mr. Lam Yin Kee (林賢奇)**, aged 72, 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 69, 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 46, was appointed as an executive Director of the Company from 5 March 2016. Ms. Liu completed the studies for master degree in Finance, Trade and Economics at 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 seven 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 39, 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 62, 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.

**Mr. Meng Fei (孟飛)**, aged 44, was appointed as an executive Director of the Company from 1 June 2017. Mr. Meng has completed the master degree study in Macro Economy at Tianjin University of Finance and Economics. Mr. Meng has over ten years experience in trade, corporate management, finance and investment, business re-structuring and capital market, and currently is the Deputy General Manager of Shenzhen Ao Ying Investment Co., Limited. Mr. Meng was the Deputy General Manager of South Huitong Shihua Micro Hard-Drive Company from 2004 to 2006, and was the Deputy General Manager of International Business Office of China Potevio Company Limited from 2006 to 2016.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

At the board meeting held on 28 March 2019, the Board resolved that the executive duties of Mr. Meng Fei have been suspended from 28 March 2019 until the Company is able to contact him. For details, please refer to the announcement of the Company dated 28 March 2019.

### Non-Executive Directors

**Mr. Fan, William Chung Yue (范仲瑜)**, aged 78, 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 an independent non-executive director of National Agricultural Holdings Limited since January 2015, which is a company listed on the Main Board of the Stock Exchange. Mr. Fan was also a non-executive director of Chinney Investments, Limited from May 1987 to August 2017, which is a company listed on the Main Board of the Stock Exchange.

### Independent Non-Executive Directors

**Mr. Pang Kwong Wah (彭廣華)**, aged 73, 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. Yau Ming Kim, Robert (丘銘劍)**, aged 80, 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.

**Mr. Yen Yuen Ho, Tony (嚴元浩)**, aged 71, is an independent non-executive Director appointed by the Group in August 2016. Mr. Yen is a solicitor of Hong Kong and the United Kingdom. He is also a barrister and solicitor of Australia. From August 1994 to March 2007, he was the Law Draftsman of the Department of Justice of Hong Kong. He was also a member of the Hong Kong Government's Law Reform Commission. Mr. Yen was conferred the Silver Bauhinia Star Medal by the Hong Kong Government in 2000. Currently, he is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University. Mr. Yen is an Honorary Court Member of the Hong Kong University of Science and Technology and an Honorary Fellow of the Faculty of Education, University of Hong Kong. He is the director of two secondary schools, the Vice President of the Neighbourhood Advice Action Council and a member of Heep Hong Society's Executive Council. He is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing. From April 2009 to April 2015, Mr. Yen was the vice chairman of the Hong Kong Government's Social Welfare Department Lump Sum Grant Independent Complaints Handling Committee. Since January 2013, he has been a member of the Hong Kong Government's Panel of Review Board on School Complaints.

Mr. Yen is an independent non-executive director of Jinchuan Group International Resources Company Limited (stock code: 2362) and United Photovoltaics Group Limited (stock code: 686), whose shares are listed on the Main Board of the Stock Exchange, and also an independent director of China Minsheng Jiaye Investment Co., Limited. Mr. Yen also served as an independent non-executive director of Link Holdings Limited (stock code: 8237) from 20 June 2014 to 16 October 2014, whose shares are listed on the Growth Enterprise Market of the Stock Exchange. On 16 December 2016, Mr. Yen was appointed as an independent non-executive director of WWPKG Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange since 12 January 2017.

**Mr. Lin Kam Sui (連金水)**, aged 69, is an independent non-executive Director appointed by the Group in June 2017. Mr. Lin was graduated from Hong Kong Technical College (now known as Hong Kong Polytechnic University) and has over 45 years of experience in the field of electrical and mechanical engineering. Mr. Lin is a Chartered Engineer of the Engineering Council UK, a Fellow Member of The Chartered Institution of Building Services Engineers (UK), a Fellow Member of The Hong Kong Institution of Engineers, and a Life Member of American Society of Heating, Refrigerating and Air Conditioning Engineers. Mr. Lin is also the Honorary Life President of The Hong Kong Air Conditioning and Refrigeration Association Limited. Mr. Lin currently is the Business Development Director of Midea Electric (HK) Limited.

### PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of the former 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 the former Rule 13.09 of the Listing Rules. Mr. So Kin Hung, Mr. Fan, William Chung Yue and three former independent non-executive Directors of the Company, Mr. Barry John Buttifant, Mr. Leung Kam Wah 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 the former Rule 13.09 of the Listing Rules.

### SENIOR MANAGEMENT

**Mr. leong Kin San, Sunny (楊建榮)**, aged 68, 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 67, 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 66, 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 55, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR REPORT

### 1.1. Overview

This report provides information on the corporate social responsibility performance of Alltronics Holdings Limited (the “Group” or “we”) in terms of environment, society and governance during the year from 1 January 2018 to 31 December 2018. This report is in compliance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “Guide”) contained in Appendix 27 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange and contains all disclosures as recommended in the Guide.

### 1.2. Scope of Reporting

This environmental, social and governance report covers the operations of the headquarters office of Alltronics Holdings Limited and its main electronics manufacturing plant in Shenzhen (“Shenzhen Factory”). Unless otherwise stated, all key performance index in this report only provided by the Shenzhen Factory.

### 1.3. Feedback Mechanism

The opinions of customers, business partners, the public, the media or non-governmental organizations can help us determine our future sustainability strategy. If you have any comments or suggestions on this report or our corporate social responsibility reporting, you are welcome to contact us via email.

## 2. COMMUNICATION WITH SHAREHOLDERS

The Group understands that maintaining effective and good communication with all stakeholders and listening to their opinions will help boost the long-term value of the Group and protect the interests of stakeholders. As such, we endeavor to get a deep understanding of the concerns of different stakeholders; and build a relationship of mutual trust and mutual benefit with stakeholders to promote sustainable development.

The annual shareholders’ meeting of the Group provides an effective platform for the Board of Directors to exchange opinions with shareholders. In addition to the annual shareholders’ meeting, the Group, with an aim to maintain close relations with customers, suppliers and other stakeholders, maintains communication with all stakeholders from time to time via visits, teleconferences or meetings (such as the delivery and quality review meetings with suppliers), mails and emails, and follow-up services of marketing staff, with a view to listening to their opinions and demands. The Group’s overall performance is also reported to all investors in its annual report. Set out below are the issues of concern to some of our stakeholders.

Stakeholders	Focus areas of ESG	Opinion collection channels	Issues of concern
Employees	Employment, health and safety, development and training	Questionnaires, meetings	Employees generally show concern for compensation, promotion opportunities, and health and safety of the work environment
Suppliers	Supply chain responsibility, product liability, use of resources	Questionnaires, emails, meetings	Suppliers attach importance to delivery dates, product quality and liability issues, as well as contracting and bidding procedures and prices
Customers	Product liability, supply chain management, environment and natural resources	Questionnaires, emails, meetings	Customers care about delivery dates, product quality and liability issues, as well as environmental issues involved in the production process.

### 3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

#### 3.1. Environmental Protection

##### *Management guidelines and policies*

The Group is committed to environmental protection and promotes sustainable development. Our environmental policy upholds the basic philosophy of “The earth is our home; environmental protection depends on everyone; quality and the environment should go hand in hand”. We have established and implement an environment and quality management system in keeping with the times and with a focus on pollution prevention. With an aim to reduce energy consumption and waste and increase recycling and reuse, we identify relevant issues to constantly make environmental and quality improvements. We adhere to the bottom line and always comply with relevant laws and regulations concerning the control of environmental and hazardous chemical substances related to our activities, products and services while meeting customer requirements.

The Group strictly complies with all applicable environmental laws and regulations. During the reporting period, there was no case of prosecution against the Group for violation of environmental laws.

##### 3.1.1. *Pollution Control*

###### Exhaust Management

The Group understands that monitoring the consumption of resources is very important for formulating effective management measures and enhancing our overall environmental performance. As such, we identify carbon emission sources, calculate and evaluate carbon emissions on a yearly basis. In addition, the Group actively follows the requirements of the Stock Exchange for disclosure of greenhouse gas emissions to calculate the total amount of greenhouse gas emissions as comprehensively as possible.

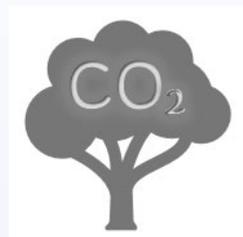
Exhaust will inevitably be produced in the production process. The Group endeavors to reduce the impact of exhaust so produced on the surrounding environment. In the past year, we installed air extraction and exhaust devices in the workshops of the factory. With these devices, exhaust is collected through pipelines and then treated centrally by the activated carbon system to ensure that the concentration of the treated exhaust meets the requirements in the Occupational Exposure Limits of Workplace Hazardous Substance (GBZ2-2002).

The Group is keenly aware that long-distance transportation during business trips will increase energy consumption and carbon emissions. As such, the Shenzhen Factory reduces business trips or avoids meetings requiring long-distance travel as practical as possible to reduce carbon emissions from long-distance travel. As for Hong Kong office, the business trips are generally infrequent due to the work nature.

During the reporting period, the Group emitted approximately 132.02 kg of nitrogen oxide, approximately 0.68 kg of sulfur oxide and approximately 12.57 kg of particulate matter. During the reporting period, the Group's total greenhouse gas emissions were 4,451.84 tonnes of carbon dioxide equivalent.



Nitrogen oxide emissions: 132.02 kg  
Sulfur oxide emissions: 0.68 kg  
Particulate emissions: 12.57 kg



Greenhouse gas emissions: 4,451.84 tonnes of carbon dioxide equivalent  
Greenhouse gas emission intensity: 3.64 tonnes of carbon dioxide equivalent per employee

### Waste management

In order to reduce the load on the landfill area and its associated treatment of waste disposal there, the Group attaches great importance to the management of waste. The Group follows the 3R waste management strategy to minimize waste generation (Reduce) and consider Reuse and Recycle before waste disposal, so as to live up to its commitment to waste management.

The Group's non-hazardous waste mainly comes from the garbage generated by employees in the Shenzhen Factory's living areas. Accordingly, in order to reduce waste generation, our Shenzhen Factory collects waste and surplus metal materials for production use, classifies the waste and picks out useful resources, and then hands over the waste to an approved recycling company for disposal. For example, corner scraps, waste defective products, packaging wastes and other general solid wastes will be disposed of by the sanitation department or recycled by the manufacturers.

The Group's hazardous waste mainly includes: waste liquid containing cleaning agent generated by ultrasonic cleaning process, lead-containing tin slag generated in the SMT and welding process where tin bars are used as flux, and waste engine oil and oily rag generated during equipment maintenance. In order to reduce the hazardous wastes, the Group regularly reviews the production process to identify the sources of hazardous wastes and work out action plans for hazardous waste reduction. We engage organizations that have professional qualifications for treatment of hazardous wastes to handle the hazardous wastes requiring disposal and ensure that they strictly abide by the Provisional Regulations on the Administration of Hazardous Waste Transfer Records in Guangdong Province.



Total amount of hazardous waste: 950.00 kg  
Total amount of harmless waste: 71,050.00 kg

### 3.1.2. Making Good Use of Resources

In order to make more effective and prudent use of all resources including energy, water and other natural resources, we have established the "Energy Conservation Policy", the "Water Conservation Policy for Daily Operations" and the "Green Office Policy", and have also provided our staff with more specific advices and measures for the management of energy, water and packaging materials.

#### Energy saving and consumption reduction

The Group believes absorbing new technologies and equipment not only can improve production efficiency, but also promote environmental performance and reduce energy consumption. Our previous LED lighting renovation project, after several tests, is found to save approximately 66% of electricity, reducing the Group's electricity expenses by RMB183,200 a year. We also regularly inspect the conditions of equipment and perform sound maintenance to reduce energy waste caused by mechanical aging.

The total power consumption of the Group in the past year was approximately:



Total power consumption: 4,607,200.00 kWh  
Total power consumption intensity: 3,767.13 kWh per employee

#### Water efficiency

Water is the source of life and closely related to our daily life. The Group understands the preciousness of water resources, and develops sound management measures to effectively conserve water. The Group does not use any water resources in the production process. The water we consume is mainly the domestic water used by employees. Thus, we actively promote the concept of water conservation among employees and strengthen the maintenance, inspection and management of water-consuming equipment to achieve the purpose of water conservation. The Shenzhen Factory carried out an inspection targeting "dripping water pipes" to eliminate leakage of water pipes and reduce waste of water.

The total water consumption of the Group in the past year was approximately:



Total water consumption: 173,396.00 m<sup>3</sup>  
Total water consumption intensity: 141.78 m<sup>3</sup> per employee

### Management of other resources

In addition to power and water resources, the Group is concerned about the use of other resources, such as packaging plastics and office paper. As to packaging plastics, we endeavor to minimize the amount of plastic packaging materials used in production to avoid unnecessary plastic consumption while reducing the generation of plastic waste. As to office paper, the Group used to use a large amount of paper for printing, mostly single-sided printing, but now we shift from single-sided printing to double-sided printing to improve paper utilization. We also advocate paperless and green office.

### 3.1.3. *Promoting Green Operations*

The Group integrates environmental responsibility into its daily business operations. Accordingly, the Company promotes green operations and green procurement policy to reduce environmental impact and the consumption of natural resources.

### Cleaner Production

To live up to the Group's commitment to sustainable development, Shenzhen Factory has obtained the Cleaner Production Certificate in December 2012. Its cleaner production projects include improving production, maintaining various facilities and processes, replacing materials, saving natural resources, recycling and reusing materials, which are designed to reduce unnecessary consumption of resources including water and energy. With the ongoing improvement of production technologies and management level, there will emerge more advanced, cleaner and safer production technologies and equipment, and there still exist many cleaner production opportunities in other work areas of the Group. As such, Shenzhen Factory will continue to promote cleaner production and research, develop and apply new cleaner production technologies.

Set out below are Shenzhen Factory's major cleaner production projects and the implementation thereof in 2018:

- Quality management system: In March 2018, the factory passed ISO 9001:2015 quality management system certification
- Social responsibility certificate: In May 2018, the factory passed the BSCI (Business Social Compliance Initiative) audit (Grade C – Passed)
- Improving air quality: In January 2018, air fresheners were installed throughout the factory
- Implementing RoHS3
- Lean production: More than 50 improvement projects were implemented. For example, automatic image recognition testers were introduced to test four products at the same time, increasing productivity by 70%

### Environmental education

The Group often advocates the importance of “reducing carbon emissions” at the meetings with stakeholders and introduces the environmental benefits of its products in product promotion publications. The Group also attaches great importance to environmental protection training for its employees. In the first quarter of each year, the HR Department of the Shenzhen Factory will mobilize various departments to put forward their annual training needs, and then prepare a “List of Annual Training Requests” and submit it to the general manager for approval. Once approved, such list will be circulated to the departments concerned and environmental protection training will be carried out for employees in different departments according to the list. We also encourage employees to attend environmental lectures during office hours to enhance their awareness of environmental protection.

### Green procurement

We have formulated the Green Procurement Policy which requires giving preference to environment-friendly materials on the basis of meeting our requirements. The Policy also requires suppliers to obtain ISO 14001 environmental management system certification. The Group implements a full set of green procurement measures. The materials, processes and equipment we use must meet the requirements of RoHS, REACH and Halogen Free in order to eliminate the generation of toxic and hazardous substances and reduce the impact on the environment.

### Advocating green office

We have put in place green office measures for office operations, including: attaching a reminder to each power control device; opening windows for ventilation in spring and autumn to reduce the use of air conditioning as much as possible; setting the air conditioning system to keep the office room temperature at 25°C; assigning certain personnel the task of cleaning the floor to reduce dust generation and avoid air pollution after day-to-day operations are finished every day; building an office automation (OA) system to reduce the use of paper for application submitting; and practicing paperless office by using email communication for work, reducing printing of tendering documentation and recycling paper as much as possible to reduce the use of paper. We also conduct internal communications from time to time to strengthen the implementation of these measures.

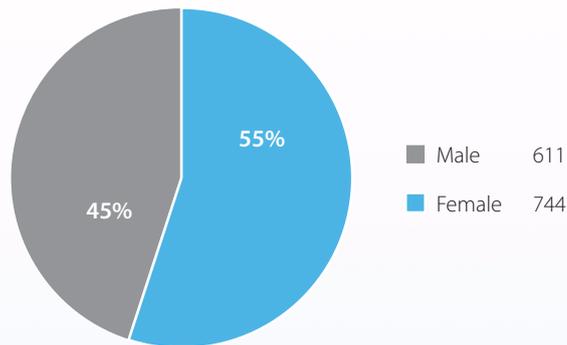
## 3.2. Caring People

### *Management guidelines and policies*

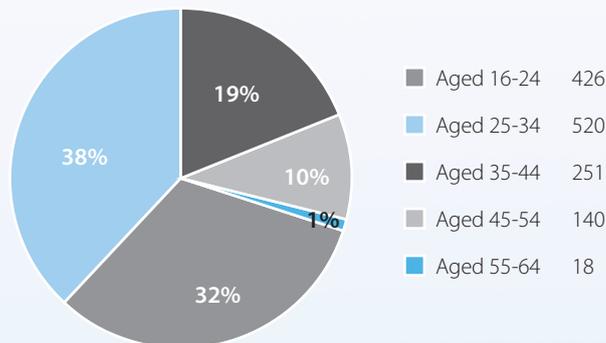
Our business success depends on our ability to absorb, retain and cultivate employees. The Group is keenly aware that talents can help the Group maintain its market competitiveness. We also care about, and thus introduce an array of programs and measures to facilitate, the career development and physical and mental health of our employees. We strive to provide the best compensation and benefits for employees and customers and adhere to the principles of mutual respect and harmonious coexistence, in an effort to the “Best Employer”.

Overview of the Group’s employees over the past year:

**Breakdown of employees in the Shenzhen Factory by gender**



**Breakdown of employees in the Shenzhen Factory by age**



## 3.2.1. *Equal Employment*

### Management guidelines and policies

In terms of employment management, the Group upholds diversity and non-discriminatory policies for personnel management to ensure that all job applicants and employees have equal opportunities and rights in the process of recruitment, promotion and salary adjustment, and that there is no violation of laws and regulations in the process. We have a dedicated human resources committee to regularly review and improve the relevant policies, so as to ensure that they are in compliance with local laws and industry guidelines.

### Recruitment and dismissal

In an effort to ensure fairness in the recruitment process, we have formulated the Personnel and Logistics Management Measures to standardize the recruitment procedures and ensure that job candidates are not treated differently based on gender, place of origin, registered residence, etc. The job candidates shall not be discriminated against due to ethnicity, national origin, race, sex, language and religious belief. The Hong Kong office fully complies with Hong Kong laws and regulations, including the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance.

As a responsible employer, we have formulated the Retirement Policy and the Compensation Policy. The Group will handle retirement formalities for employees who have reached the statutory retirement age in accordance with the relevant regulations and will go through any dismissal procedures according to the Labor Law. In the event of a work-related accident, the Group will make reasonable compensation and handle it properly in accordance with relevant laws.

### Promotion channels

In terms of promotion, the promotion of an employee depends on his/her job performance, experience, and personal capabilities. In order to give employees clear and specific promotion ladders and criteria, we have developed criteria for performance appraisal and set up an internal performance management system, and conduct employee performance appraisal on a regular basis.

### Employee benefits

Committed to providing the employees with attractive remuneration, we determine the remuneration of employees based on the remuneration system developed by the Group, the overall market situation and the work duties, and regularly examine the system of salary adjustment; in addition, we determine the benefits of employees in the Shenzhen Factory (including social insurance for employees) according to standards of the Ministry of Human Resources and Social Security and the Labor Law. In addition, we provide medical benefits, accommodation and meal benefits. In order to protect the personal interests of employees, we allow employees to set up employee welfare committees to strengthen communication between employees and the management. To ensure smooth communication channels between employees and the Company, in addition to the trade union, employees are encouraged to voice their opinions orally, by phone or in writing. Upon receipt of the opinions, we will designate relevant departments to follow up, communicate, coordinate and resolve the issues concerned in a timely manner.

### Diverse life

The Group cares about the physical and mental health of employees. We carry out lovely activities for employees to increase their sense of belonging and create a harmonious working environment. To this end, the Group has formulated the Life Balance Policy and built recreation facilities in the factory to enrich the lives of staff, including karaoke rooms, table tennis, billiards, basketball and badminton facilities and a reading room. Each year, we organize various welfare lottery and cultural and recreational activities according to the production plan and holiday schedule of the year to enrich the lives of employees, increase their work enthusiasm and improve employee cohesion.

The Group strictly abides by the relevant employment laws. During the reporting period, there was no case of prosecution against the Group for violation of employment-related laws.

### 3.2.2. *Occupational Health and Safety*

#### Management guidelines and policies

Employees are our most valuable resources. We endeavor to create the safest and most agreeable working environment and achieve the goal of zero work accident. We take various measures to prevent the occurrence of occupational diseases and industrial casualties among our staff. We have in place a sound mechanism to manage occupational health and safety-related matters, including identifying risks inherent in our operations and conducting regular reviews and assessments, so as to meet regulatory requirements and the development needs of the Group.

#### Occupational health and safety policy

The Group's policy on occupational health and safety is to build a sound labor safety and health system. The Shenzhen Factory strictly implements the national regulations and standards on labor safety and health. As a responsible employer, we also provide employees with adequate training on occupational health and safety and appropriate protective equipment, with a view to enabling them to identify high-risk links in the workplace and work out solutions to lower work-related risks, prevent accidents in the course of work and reduce occupational hazards.

#### Workplace safety management

All employees of the Group are required to comply with its Safety Rules which stipulate the responsibilities and safety concerns of different positions in the workplace. We also regularly identify and assess the risk factors in the workplaces and take necessary control measures to eliminate and mitigate risks. When identifying hazards and hazardous substances in equipment, facilities and the working environment, the Group classifies them according to different hazard sources and takes corresponding control measures. The Group has also set up a safety team to organize safety code training and fire-fighting training and drills and arrange health check-ups, thereby strengthening the safety awareness and self-protection capabilities of all employees.

## Employee communication

The Group welcomes and values employees' opinions. Employees can express their opinions in different ways. There are suggestion boxes in the plant area for employees to anonymously express their opinions which will be handled by the dedicated personnel from the Personnel Department. We also encourage employees to provide constructive suggestions on the management measures and methods of the Company. The Company will grant certain rewards as appropriate to the personnel whose suggestions are adopted.

The Group strictly abides by the relevant safety laws. During the reporting period, there was no case of prosecution against the Group for violation of occupational safety-related laws.

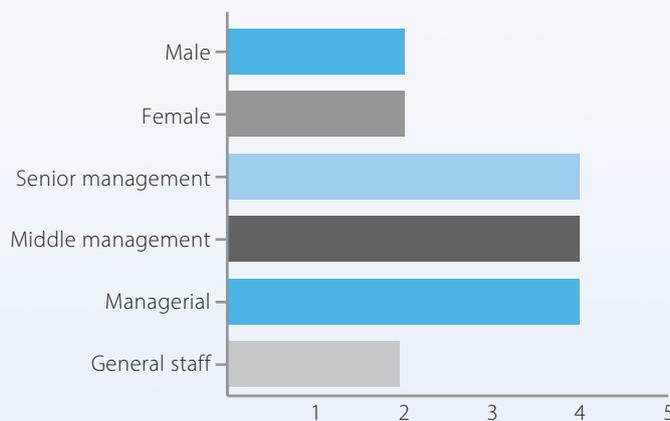
### 3.2.3. *Training and Development*

#### Management guidelines and policies

Shenzhen Factory advocates the "people-oriented" management philosophy and has developed the Training Control Program. We firmly believe that continuous training and development of our staff will enhance the value of our team and the professional quality of our staff, which in turn will bring greater productivity to the Group. According to the Training Control Program of the Shenzhen Factory, in the first quarter of each year, the Personnel Department will organize all departments to put forward their annual training needs, and then formulate a list of annual training needs accordingly.

The factory provides induction training for new employees, including brief introduction of the Group's background, profile, facilities, employee handbook and corporate social responsibility, while arranging experienced employees to provide vocational skills guidance to speed up their understanding of the Group and mastery of relevant technologies.

**Average training hours of employees in the Shenzhen Factory**



**Average training hours of employees in the Shenzhen Factory**

Male	2
Female	2
Senior management	4
Middle management	4
Managerial	4
General staff	1.95

## Training system

The Group has developed a series of career development plans for its employees. Specifically, the Shenzhen Factory has built up a training system as follows:

1. The factory has set up a vocational training system where on-the-job training of employees will be organized systematically based on the business development needs of the Shenzhen Factory and the personal capabilities of employees to facilitate the development of employees in their positions. Each worker to be engaged in technical work must receive training before taking a job.
2. Employees have the right to participate in training, have the opportunity to receive training and have the responsibilities to provide training to others. In addition to actively participating in various training sessions organized by the Shenzhen Factory and different departments, employees should always focus on improving their expertise, work skills and comprehensive quality through independent study while making specific plans for their own career development and implementing such plans under the guidance of their direct superiors and the departments concerned.
3. Where the Shenzhen Factory pays special training expenses for professional technical training of an employee, the employee shall follow the arrangement of the Shenzhen Factory to engage in relevant technical work and undertake internal training and counseling work for other employees of the Shenzhen Factory.
4. According to its business development needs, the Shenzhen Factory organizes executives or technicians to go abroad on a tour of observation and study.

Where employees of the headquarters office in Hong Kong have training needs, they may apply to the department managers for taking external training courses and then have the Company reimburse their training expenses.

### *3.2.4. Protection of Rights and Interests*

#### Management guidelines and policies

The Group strictly abides by national laws and regulations and prohibits the employment of child labor. Before interviewing job applicants, we will check their identity documents to verify their identity in order to prevent juveniles from borrowing other people's identity documents to apply for a job. When handling induction procedures for new employees, we will check their identity documents again to verify their identity, and those without an identity document will not be employed.

In addition, the Group strictly abides by national laws and regulations and prohibits all forms of forced labor. We sign labor contracts or internship agreements (for interns) with all employees on an equal and voluntary basis; never withhold employees' resident identity cards, temporary residence permits and other identity certificates; strictly forbid any department or person to physically punish, beat, frisk and insult employees, and to lock a workplace and dormitory to limit the personal freedom of employees; and strictly prohibit any department or person to force employees to work by means of violence, threats or illegal restriction of personal freedom.

We have also set up a mechanism for reporting child labor and forced labor, and monitor the child labor and forced labor issues among suppliers, subcontractors and their employees. We will make every effort and take all necessary measures to ensure that the Group meets international and local labor standards.

During the reporting period, the Group found neither employment of child labor nor violation of forced labor-related regulations.

### 3.3. Operational Commitment

Shenzhen Factory is committed to promoting inclusive, ethical and sustainable procurement practices. Leveraging its strong purchasing power, Shenzhen Factory is expected to create long-term value for its partners and the communities in which it operates, thus ultimately maximizing the benefits to shareholders, customers and communities.

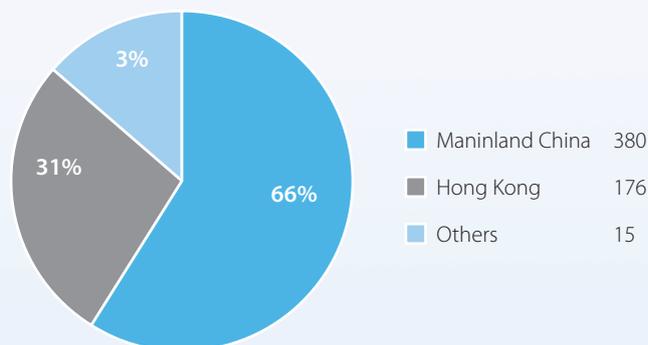
#### 3.3.1. Supply chain management

##### *Management guidelines and policies*

The Group is dedicated to building a mutually beneficial and win-win partnership with suppliers, so as to contribute to the sustainable development of the industry and society.

Shenzhen Factory has developed and implements the Management Procedure for Supplier Evaluation and the Management Procedures for Procurement to manage suppliers and the processes, products and services provided by them, so as to ensure that they will not adversely affect the Group's ability to consistently deliver qualified products and services to customers. Our purchasing department works with relevant departments to determine and implement the criteria for evaluation, selection, performance monitoring and reevaluation of suppliers based on the degree of impact on meeting our requirements, and keeps records of these activities and any necessary measures arising therefrom.

Number of suppliers



The Shenzhen Factory has in place different criteria for selection of different types of suppliers. Generally, the assessment of a supplier is focused on its ability to inspect, measure and test products, its quality system and management system, and whether it meets relevant legal requirements (such as restrictions on hazardous chemical substances). Only those qualified suppliers will be included into the “Qualified Supplier List”.

The Shenzhen Factory also conducts regular monitoring, auditing and evaluation to assess the performance of suppliers. The purchasing department is responsible for convening relevant departments to hold a supplier evaluation meeting every six months to decide which suppliers remain qualified. We will grade the evaluation results and give preference to high-grade suppliers.

### *Information confidentiality*

We are convinced that protecting the personal data of customers and the internal business information of the Group is the key to building a mutual trust relationship with customers and shareholders. As such, Shenzhen Factory has developed the Confidentiality and Non-competition Agreement and requires relevant personnel to sign the agreement in writing according to the requirements of different positions. These personnel are obliged to strictly abide by Shenzhen Factory’s confidentiality measures and prevent the disclosure of its business secrets and customer information. Without the written consent of the Group or the customers concerned, employees may not disclose or use our customer information, nor may they use our trade secrets for new research and development activities. During the term of the Confidentiality and Non-competition Agreement, the employees concerned are not allowed to work in other companies that produce products which are similar to, and compete with, those of the Shenzhen Factory.

### **3.3.2. Customer Health and Safety**

#### *Management guidelines and policies*

The Group’s quality policy is designed to “put quality and customers first, make continuous improvements, and pursue excellence”. In order to provide reliable and high-quality products, the Group commits itself to establishing, maintaining and improving the ISO9001 quality system, in a mission to provide quality products and services to meet customer requirements. In the course of operations, the Group strictly abides by national laws and regulations and industry quality standards and constantly improves quality management to protect the basic rights and interests of customers.

#### *Quality management system*

Last year, the Shenzhen Factory passed the latest quality management system certification. We uphold the philosophy of continuous improvement and keeping pace with the times and apply the latest internationally recognized quality standards as the basis for providing optimal services. Shenzhen Factory’s quality policy and objectives have been understood and implemented by all staff through training and publicity. In addition, we have formulated and implement the Procedures for Management Review and conduct management review at least once a year to ensure that our quality control system is appropriate, adequate and effective, and aligned with our strategy.

### *Product quality and safety*

In order to ensure that its products meet the reasonable expectations of customers, Shenzhen Factory has formulated and implemented the Management Procedures for Review of Orders to ensure that the reviewed products and services meet the requirements of laws and regulations and the quality requirements of customers and the Group. Our quality control department is responsible for checking products and services at appropriate stages to see if they meet relevant requirements. In order to ensure that our products meet industry and national safety standards, we conduct product testing with specific and effective methods to make sure that our products meet quality and technical requirements and to correct any serious problems in a timely manner. We only deliver products meeting quality and technical requirements to customers.

### *After-sale service*

Customer feedback is the biggest contributor to driving the Group forward, and hence we maintain good communication with our customers to understand their requirements for improvement of our products and services. The Group conducts surveys by visiting customers and issuing the "Customer Satisfaction Survey Form" to them to learn about their requirements. The Marketing Department of the Group is responsible for regularly reviewing customers' opinions on the products or services provided and developing measures to improve customer satisfaction. When necessary, the Group will provide customers with after-sales service for products. To this end, we have formulated and implement the Procedures for Maintenance and Repair Service Management.

### *Fair publicity policy*

The Group understands the importance of advertising and sales pitches. As such, we have formulated the "Fair Publicity Policy" to regulate all our marketing staff who are required to provide customers with accurate and true information in the course of marketing, so as to ensure the effectiveness of marketing and avoid relevant legal risks in the process. The Shenzhen Factory provides service and/or product awareness training for relevant employees, such as sales staff and customer service staff, to ensure that they provide accurate information in the sales and service process.

### *Respect for intellectual property*

The Group endeavors to protect intellectual property rights and refuse to provide products or services that infringe copyright or intellectual property rights. The Group undertakes to use only genuine products. Our purchasing managers will review the goods to be purchased to prevent the Group from purchasing illegal products. In terms of production, our engineering managers are responsible for reviewing every design to avoid using unauthorized photos and designs from third parties.

### **3.3.3. Corporate Governance**

#### *Management guidelines and policies*

In order to build a corporate ethical culture and develop a set of common practices, the Group has established stringent policies and procedures for preventing corruption and money laundering in accordance with relevant laws, regulations and guidelines promulgated by the regulatory authorities. The Group requires employees to abide by the code of business ethics and to refrain from corruption and bribery during the term of their employment contract. In addition, in order to enhance employees' awareness of internal justice, the Group has formulated a whistleblowing policy as an effective internal control mechanism to provide employees with whistleblowing channels and guidelines. Any employee who violates discipline will be punished based on the seriousness and impact of the consequences in accordance with the internal rules of the Group. And anyone who violates the law will be handed over to the judicial authority.

### **3.4. Giving Back to Society**

The Group is well aware that our responsibility is not only to contribute directly to the economy, but also to generate positive impact on the society as a whole through our business operations and public welfare projects. The Group proactively contacts community groups that match the Group's corporate responsibility to learn about community needs. Moreover, the factory has set up an emergency assistance mechanism to carry out emergency disaster relief activities, such as establishing a disaster relief fund.

### **3.5. Awards and Recognitions**

During the reporting period, the Group received two awards, being the 2018 Outstanding Contribution Unit in Industrial Output Value and the 2018 Outstanding Contribution Unit in Exports issued by the sub-district office of Yanluo Street.

## SUMMARY OF PERFORMANCE INDEX (SHENZHEN FACTORY)

### ENVIRONMENT

<b>Polluting emissions</b>	<b>Unit</b>	
<i>Exhaust emissions</i>		
Nitrogen oxide emissions	kg	132.02
Sulfur oxide emissions	kg	0.68
Particulate emissions	kg	12.57
<i>Solid waste</i>		
Hazardous waste	kg	950.00
Hazardous waste Intensity	kg/per employee	0.78
Harmless waste	kg	71,050.00
Harmless waste Intensity	kg/per employee	58.09
<i>Greenhouse gas emissions and Intensity</i>		
Total greenhouse gas emissions	tCO <sub>2</sub> -e	4,451.84
Direct emission	tCO <sub>2</sub> -e	280.51
Energy-related indirect emissions	tCO <sub>2</sub> -e	4,127.59
Other indirect emissions	tCO <sub>2</sub> -e	43.74
Emission intensity	tCO <sub>2</sub> -e/per employee	3.64
<b>Energy use</b>		
Power purchased	kWh	4,607,200.00
Power intensity	kWh/per employee	3,767.13
Renewable energy (solar energy)	kWh	64,339.00
Renewable energy use intensity	kWh/per employee	52.61
Gasoline (flow source)	litre	56,167.00
Gasoline use intensity	litre/per employee	45.93
Diesel (fixed source)	litre	29,000.00
Diesel use intensity	litre/per employee	23.71
Water use	m <sup>3</sup>	173,396.00
Water use intensity	m <sup>3</sup> /per employee	141.78
<b>Amount of packaging materials used</b>		
Plastic	tonne	895.95
Paper	tonne	1,888.76
Metal	tonne	183.25
Lumber	tonne	58.91

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOCIETY

<b>Employees</b>	<b>Unit</b>	
Total number of employees	person	1,355
<i>Breakdown of employees by age</i>		
Aged 16-24	person	426
Aged 25-34	person	520
Aged 35-44	person	251
Aged 45-54	person	140
Aged 55-64	person	18
Aged 65 or more	person	-
<i>Breakdown of employees by gender</i>		
Male	person	611
Female	person	744
<i>Breakdown of employees by employment type</i>		
Full-time	person	1,355
<i>Breakdown of employees by function</i>		
Senior management	person	8
Middle management	person	5
Managerial	person	23
General staff	person	1,319
<b>Number of employee turnovers</b>		
Turnover rate (monthly average)	Percentage (%)	4.51%
<i>Turnover rate by age</i>		
Aged 16-24	percentage (%)	5.38%
Aged 25-34	percentage (%)	6.19%
Aged 35-44	percentage (%)	2.06%
Aged 45-54	percentage (%)	0.60%
Aged 55-64	percentage (%)	0.00%
Aged 65 or more	percentage (%)	0.00%
<i>Turnover rate by gender</i>		
Male	percentage (%)	5.37%
Female	percentage (%)	3.80%

## SOCIETY

### Health and safety

Work-related deaths	persons	0
Number of work days lost due to work-related injuries	days	0

### Training and development

Total training hours	hours	2,710.00
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#### *Average training hours*

Male	hours	2.00
Female	hours	2.00
Senior management	hours	4.00
Middle management	hours	4.00
Executives	hours	4.00
General staff	hours	1.95

#### *Percentage of trained employees by category*

Male	percentage (%)	100%
Female	percentage (%)	100%
Senior management	percentage (%)	100%
Middle management	percentage (%)	100%
Executives	percentage (%)	100%
General staff	percentage (%)	100%

### Number of suppliers

Mainland China	suppliers	380
Hong Kong	suppliers	176
Others	suppliers	15

### Product responsibility

Percentage of products that must be recalled for health and safety reasons	percentage (%)	0
Number of complaint cases about products and services	case	0

### Anti-corruption

Number of concluded corruption cases brought against the Group or its employees during the reporting period	case	0
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# CORPORATE GOVERNANCE REPORT

## 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.

During the year ended 31 December 2018, 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 2018.

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.

Mr. Lau Fai Lawrence has resigned from the office as the non-executive Director of the Company effective from 31 December 2018. Other than this, there were no other changes in the board of directors of the Company during the year. The Board currently comprises six executive Directors, one non-executive Director and four 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  
 Mr. Meng Fei (*executive duties suspended*)

Non-executive Director:

Mr. Fan, William Chung Yue

Independent non-executive Directors:

Mr. Pang Kwong Wah  
 Mr. Yau Ming Kim, Robert  
 Mr. Yen Yuen Ho, Tony  
 Mr. Lin Kam Sui

At the board meeting held on 28 March 2019, the Board resolved that the executive duties of Mr. Meng Fei have been suspended from 28 March 2019 until the Company is able to contact him. For details, please refer to the announcement of the Company dated 28 March 2019.

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 13 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 four 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.

## CORPORATE GOVERNANCE REPORT

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 is appointed for a 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 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. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company for a term of 3 years from 12 August 2016, and was re-elected at the annual general meeting of the Company held on 1 June 2017. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Lin Kam Sui was appointed as an independent non-executive Director of the Company for a term of 3 years from 1 June 2017, and was re-elected at the annual general meeting of the Company held on 7 June 2018. The appointment of Mr. Lin Kam Sui shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

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 2018.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2018, four 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 2018	
	Board meetings	AGM/EGM *
<b>Executive Directors</b>		
Mr. Lam Yin Kee	4/4	1/1
Ms. Yeung Po Wah	4/4	1/1
Ms. Liu Jing	1/4	0/1
Mr. Lam Chee Tai, Eric	3/4	1/1
Mr. So Kin Hung	3/4	1/1
Mr. Meng Fei ***	2/4	0/1
<b>Non-executive Directors</b>		
Mr. Fan, William Chung Yue	3/4	1/1
Mr. Lau Fai Lawrence **	3/4	1/1
<b>Independent non-executive Directors</b>		
Mr. Pang Kwong Wah	4/4	1/1
Mr. Yau Ming Kim, Robert	4/4	1/1
Mr. Yen Yuen Ho, Tony	4/4	1/1
Mr. Lin Kam Sui	4/4	1/1

\* During the year ended 31 December 2018, the 2018 AGM was held on 7 June 2018 and no other general meeting has been held.

\*\* Mr. Lau Fai Lawrence has resigned effective from 31 December 2018 and was entitled to attend the 4 board meetings and the 2018 AGM during the year.

\*\*\* At the board meeting held on 28 March 2019, the Board resolved that the executive duties of Mr. Meng Fei have been suspended from 28 March 2019 until the Company is able to contact him. For details, please refer to the announcement of the Company dated 28 March 2019.

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.

## CORPORATE GOVERNANCE REPORT

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 of 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 2018. 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 2018, 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
<b>Executive Directors:</b>		
Mr. Lam Yin Kee	✓	✓
Ms. Yeung Po Wah	✓	✓
Ms. Liu Jing	✓	✓
Mr. Lam Chee Tai, Eric	✓	✓
Mr. So Kin Hung	✓	✓
Mr. Meng Fei	✓	✓
<b>Non-executive Directors:</b>		
Mr. Fan, William Chung Yue	✓	✓
Mr. Lau Fai Lawrence	✓	✓
<b>Independent non-executive Directors:</b>		
Mr. Pang Kwong Wah	✓	✓
Mr. Yau Ming Kim, Robert	✓	✓
Mr. Yen Yuen Ho, Tony	✓	✓
Mr. Iin Kam Sui	✓	✓

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.

Ms. Liu Jing, Mr. Lam Chee Tai, Eric, Mr. Meng Fei, Mr. Fan, William Chung Yue, Mr. Pang Kwong Wah and Mr. Lin Kam Sui had been re-appointed at the last annual general meeting held on 7 June 2018. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony 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 at least 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. Yen Yuen Ho, Tony.

The terms of reference of the Nomination Committee are posted on the Company's website and the Stock Exchange's website. The primary 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,

Name of committee 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. Yen Yuen Ho, Tony	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. The Chairman of the Remuneration Committee is Mr. Pang Kwong Wah and other current members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony. 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;

## CORPORATE GOVERNANCE REPORT

- (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 2018, 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.

<b>Name of committee member</b>	<b>Number of meeting attended</b>
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. Yen Yuen Ho, Tony	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 2018 are set out in note 9 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 10 to the consolidated financial statements of this annual report during the year ended 31 December 2018 were within the following bands:

	<b>Number of individuals</b>
HK\$1,500,001 to HK\$2,000,000	3

The Company has adopted a share option scheme at the annual general meeting held on 7 June 2016, 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 49 and 50 of this annual report.

The share option scheme has a term of 10 years and will be expired on 6 June 2026.

## 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, the other two current members are Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony. 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:

<b>Name of committee member</b>	<b>Number of meetings attended</b>
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	2/2
Mr. Yen Yuen Ho, Tony	2/2

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 2018 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 2018, 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 primary 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 for the year ended 31 December 2018 is Ernst & Young ("EY"). EY is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The fees paid and payable by the Group to EY in respect of audit and non-audit services (mainly consist of review of interim financial information) for the year ended 31 December 2018 are HK\$2,090,000 and HK\$310,000 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 2018, 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 pages 61 and 62 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 Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, 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.

# CORPORATE GOVERNANCE REPORT

## Putting forward enquiries to the Board

The Company has disclosed all necessary information to the shareholders in compliance with the 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:

Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong

Fax: (852) 2977 5633

Email: [roger.leung@alltronics.com.hk](mailto: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 2018.

### **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 principal activities of the subsidiaries as set out in note 1 to the consolidated financial statements are primarily the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products, the trading of biodiesel products, the provision of energy saving business solutions and operation of investment properties. On 20 December 2018, the Group has entered into a sale and purchase agreement to dispose of its investment properties business operation and the results of this business segment has been disclosed as discontinued operation in the consolidated financial statements.

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 compliance with the relevant laws and regulations are set out on page 47 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 48 and 53 of this annual report respectively.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

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.

Details of the environmental, social and governance of the Group are set out in the “Environmental, Social and Governance Report” on pages 14 to 31 of this annual report.

### **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.

## REPORT OF THE DIRECTORS

### 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 statement of profit or loss on page 63 of this annual report.

During the year, the Company has not declared any dividend.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$401,000.

### SHARES ISSUED DURING THE YEAR

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 30 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 2018, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$333,072,000 (2017: HK\$318,355,000).

### 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 152 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 2018 and the Company has not redeemed any of its shares during the year.

## SHARE OPTIONS

Pursuant to an ordinary resolution of the shareholders of the Company passed at the Annual General Meeting held on 7 June 2016, a share option scheme (the "2016 Share Option Scheme") was approved and adopted. The purpose of the 2016 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 2016 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 2016 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 7 June 2016, the date on which the 2016 Share Option Scheme was adopted.

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 2016 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 2016 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 2016 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 2016 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 2016 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.

## REPORT OF THE DIRECTORS

The subscription price in respect of each share issued under the 2016 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; or
- (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 2016 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 7 June 2016, being the date on which the 2016 Share Option Scheme was adopted.

During the two years ended 31 December 2018 and 2017, there were no share options granted, exercised, cancelled or lapsed. As at 31 December 2018 and 2017, there were no outstanding share options issued under any share option scheme.

As at the date of this report, the total number of shares of the Company available for issue under the 2016 Share Option Scheme was 44,962,020, which represented approximately 4.8% of the issued share capital of the Company as at the date of this 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  
Mr. Lam Chee Tai, Eric  
Mr. So Kin Hung  
Mr. Meng Fei (*executive duties suspended from 28 March 2019*)

#### Non-Executive Directors

Mr. Fan, William Chung Yue  
Mr. Lau Fai Lawrence (*resigned from 31 December 2018*)

#### Independent Non-Executive Directors

Mr. Pang Kwong Wah  
Mr. Yau Ming Kim, Robert  
Mr. Yen Yuen Ho, Tony  
Mr. Lin Kam Sui

At the board meeting held on 28 March 2019, the Board resolved that the executive duties of Mr. Meng Fei have been suspended from 28 March 2019 until the Company is able to contact him. For details, please refer to the announcement of the Company dated 28 March 2019.

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony 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\$439,961 and HK\$122,625 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\$55,125.

Mr. Meng Fei was appointed for an initial term of three years commencing from 1 June 2017 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 Mr. Meng fei is HK\$52,500.

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\$151,192 and HK\$114,854 respectively.

Mr. Fan, William Chung Yue was 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. Lau Fai Lawrence was appointed for an initial term of three years commencing from 1 March 2017 and he has resigned from the office as a non-executive director from 31 December 2018. 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. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company from 12 August 2016. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Lin Kam Sui was appointed as an independent non-executive Director of the Company from 1 June 2017. The appointment of Mr. Lin Kam Sui 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).

## REPORT OF THE DIRECTORS

### 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 2018, 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 2018

		Number of shares held				% of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests	Total	
Mr. Lam Yin Kee	Long positions	6,082,922	–	439,740,000 (Note 1)	445,822,922	47.12
Ms. Yeung Po Wah	Long positions	–	445,822,922	–	445,822,922	47.12
Ms. Liu Jing	Long positions	95,509,600	–	–	95,509,600	10.09
Mr. Lam Chee Tai, Eric	Long positions	3,018,708	–	–	3,018,708	0.32

Notes:

1. 439,740,000 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 2018**

None of the Directors and Chief Executives has held any share options as at 31 December 2018.

**(c) Interests in an associated corporation, Profit International Holdings Limited (ordinary shares of US\$1 each) as at 31 December 2018**

		Number of shares held			Total	% of the issued share capital of the associated corporation
		Personal interests	Family interests	Corporate interests		
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 2018, 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			Total	% of the issued share capital of the Company
Name		Personal interests	Nature of interest			
Profit International Holdings Limited	Long positions	439,740,000	Beneficially owned	439,740,000	46.48	
Ms. Liu Jing	Long positions	95,509,600	Beneficially owned	95,509,600	10.09	
Wealth Channel Global Limited ("Wealth Channel") (Note 1)	Long positions	41,313,564	Beneficially owned	41,313,564	4.37	
Diamond Path International Investments Limited ("Diamond International") (Note 1)	Long positions	41,313,564	Interest of a controlled corporation	41,313,564	4.37	

## REPORT OF THE DIRECTORS

Name		Number of shares held			% of the issued share capital of the Company
		Personal interests	Nature of interest	Total	
Diamond Path Investments Limited ("Diamond Investments") (Note 1)	Long positions	41,313,564	Interest of a controlled corporation	41,313,564	4.37
Huarong Investment Stock Corporation Limited ("Huarong Investment") (Note 1)	Long positions	41,313,564	Interest of a controlled corporation	41,313,564	4.37
Right Select International Limited ("Right Select") (Note 1)	Long positions	41,313,564	Interest of a controlled corporation	41,313,564	4.37
Lijiang Investment Holdings Limited (Note 2)	Long positions	94,611,636	Beneficially owned	94,611,636	10.00
China Huarong International Holdings Limited ("Huarong International") (Notes 1 and 2)	Long positions	135,925,200	Interest of a controlled corporation	135,925,200	14.37
Huarong Real Estate Co., Ltd. (Huarong Real Estate") (Notes 1 and 2)	Long positions	135,925,200	Interest of a controlled corporation	135,925,200	14.37
China Huarong Asset Management Co., Ltd. ("China Huarong") (Notes 1 and 2)	Long positions	135,925,200	Interest of a controlled corporation	135,925,200	14.37
The Ministry of Finance of the People's Republic of China (Notes 1 and 2)	Long positions	135,925,200	Interest of a controlled corporation	135,925,200	14.37

### Notes:

- (1) 41,313,564 shares of the Company were beneficially owned by Wealth Channel which is wholly-owned by Diamond International. Diamond International is wholly-owned by Diamond Investments, which is a company wholly-owned by Huarong Investment. Right Select owns 50.99% interests in Huarong Investment. Right Select is a wholly-owned subsidiary of Huarong International.
- (2) 94,611,636 shares of the Company were beneficially owned by Lijiang Investment Holdings Limited which is wholly-owned by Huarong International. Huarong International is owned as to 88.1% by Huarong Real Estate, which is a wholly-owned subsidiary of China Huarong. The Ministry of Finance of the People's Republic of China has approximately 67.75% interests in the share capital of China Huarong. Therefore, Huarong International, Huarong Real Estate, China Huarong and The Ministry of Finance of the People's Republic of China are deemed to be interested in 135,925,200 shares of the Company in aggregate.

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, as at 31 December 2018, 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	2.4%
– five largest suppliers combined	9.3%

#### Sales

– the largest customer	33.8%
– five largest customers combined	57.7%

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

On 19 September 2018, Ms. Yeung Po Wah, being an executive Director and a substantial shareholder of the Company, entered into a loan agreement (the "Loan Agreement") with Alltronics Tech. Mftg. Limited ("ATM"), being an indirect wholly-owned subsidiary of the Company. Pursuant to the Loan Agreement, Ms. Yeung Po Wah has provided a loan of HK\$20,000,000 (the "Loan") to ATM for the period from 19 September 2018 to 18 December 2018. The Loan was unsecured and carried interest at 8% per annum. The Loan has been fully repaid with interest by ATM on 18 December 2018.

The Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing rules. As the Loan was provided for the benefit of the Group on normal commercial terms and no security over assets of the Group is granted in respect of the Loan, the Loan Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Certain other related party transactions as disclosed in note 34 to the consolidated financial statements also constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Group 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.

## REPORT OF THE DIRECTORS

### 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 2015 to 31 March 2017. On 31 March 2017, the Group entered into a renewal tenancy agreement with Profit Home for a period of two years commencing from 1 April 2017 to 31 March 2019, at a monthly rental of HK\$150,000. 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.

As each of the applicable percentage ratios calculated in relation to the above connected transaction is less than 5% and the total annual consideration payable is less than HK\$3,000,000, the transaction qualifies as a de minimis transaction pursuant to Rule 14A.76 (1) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

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 (Revised) "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 as disclosed above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the independent auditor's letter has been provided by the Company to the Stock Exchange.

### CORPORATE GOVERNANCE

During the year ended 31 December 2018, 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" on pages 32 to 46 of 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 2018.

**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 2018 have been audited by Ernst & Young, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Lam Yin Kee**

*Chairman*

Hong Kong, 28 March 2019



## TO THE MEMBERS OF ALLTRONICS HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 151, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**KEY AUDIT MATTERS (CONTINUED)**
**Key audit matter**
**How our audit addressed the key audit matter**
*Impairment assessment of goodwill*

As at 31 December 2018, the Group's goodwill relating to previous acquisitions amounted to HK\$11.67 million, which was material to the consolidated financial statements. Management is required to perform goodwill impairment assessment on an annual basis under HKFRSs. The assessment procedures were significant to our audit because the process was complex and involved management judgements, and was based on assumptions such as the expected average gross margin, annual growth rates, expected market share, revenue and margin development that were affected by expected future market and economic conditions.

The accounting policies for and disclosures of goodwill are included in notes 3, 4 and 18 to the consolidated financial statements.

We examined the Group's cash flows forecast of the relevant cash-generating unit ("CGU") by reviewing the accuracy of previous forecasts and the historic evidence supporting the underlying assumptions. Future cash flow assumptions such as the expected average gross margin, annual growth rates and expected market share were evaluated through comparison of historical performance, seeking corroborative evidence and enquiry with management in respect of key growth and assumptions. We involved our internal specialists in assessing the key parameters such as the discount rate and long term growth rate and performing an independent assessment on general market indications. Further, we assessed the sufficiency of the sensitivity analysis performed by management and performed other sensitivity analysis focusing on the key assumptions.

*Inventory provision*

As at 31 December 2018, the total inventories and the related provision for obsolete inventories amounted to HK\$318.18 million and HK\$11.97 million, respectively, which were material to the financial statements. The inventories of the Group were mainly finished electronic products, plastic moulds, plastic and other components for electronic products which might become obsolete because of rapid technological advancement. Management's assessment on the provision for obsolete inventories is based on assumptions, including assumptions on the forecasted inventory usage and estimated selling prices, which are affected by expected future market and sales orders.

The accounting policies for and disclosures of inventory provision are included in notes 3, 4 and 22 to the consolidated financial statements.

We evaluated, amongst others, the analyses and assessments of the sales forecasts and sales prices prepared by management based on the existing contracts with the major customers. We also evaluated the expected future usage of inventories focusing on slow-moving and obsolete inventories. We tested a sample of inventory items to assess the cost basis and net realisable value of inventories. We also reviewed the basis for the inventory provision, the consistency in applying the provisioning policy and the rationale for the recording of any specific provisions.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Discontinued operation*

Sino Growth Holdings Limited, a wholly-owned subsidiary of the Company, signed a sale and purchase agreement with Yingtai Holdings Limited, a third party, to dispose of Bonroy Limited, a subsidiary of Sino Growth Holdings Limited, on 20 December 2018. Bonroy Limited and its subsidiaries (the "Bonroy Group") engages in the investment properties business. The whole transaction is estimated to be completed in the first half of 2019.

The components of the Bonroy Group were presented as a disposal group at the year-end and their results were reported separately as a discontinued operation in the consolidated statement of profit or loss. The disposal was significant to our audit since it impacted the presentation in the consolidated statement of profit or loss, the statement of financial position and the statement of cash flows including restatements of prior year results and cash flows for comparison purposes. The measurement of the Bonroy Group was mainly based on the valuation of the fair value of the investment properties by an external appraiser.

Related disclosures are included in note 12 to the consolidated financial statements.

We obtained the underlying sale and purchase agreement and understood the business rational of the disposal, and the buyer's background. We invited our internal valuation specialists to evaluate the valuation of fair value of the investment properties. We checked the minute of the shareholders' meeting which approved the disposal of the Bonroy Group, and the board meeting's minute which approved the disclosure of the held-for-sale classification of the Bonroy Group. We checked that the criteria of the assets being available for immediate sale in its present condition and that a transaction is highly probable are met and the disclosures of the results of the discontinued operation and the disposal group are included in the summary of significant accounting policies and in note 12.

## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong  
28 March 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	6	<b>1,284,813</b>	1,275,221
Cost of sales		<b>(1,098,871)</b>	(998,655)
<b>Gross profit</b>		<b>185,942</b>	276,566
Distribution costs		<b>(18,648)</b>	(20,715)
Administrative expenses		<b>(96,921)</b>	(101,729)
Other operating income/(expenses), net		<b>8,707</b>	(8,620)
Share of profits and losses of associates		<b>(1,750)</b>	(794)
Gain on deemed disposal of partial interests in an associate	7	<b>17,963</b>	8,370
Realised gain on disposal of partial interests in an associate	7	<b>18,406</b>	–
Impairment losses on financial assets		<b>(328)</b>	(688)
Finance income		<b>3,728</b>	3,897
Finance costs	8	<b>(15,618)</b>	(10,029)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	7	<b>101,481</b>	146,258
Income tax expense	11	<b>(22,561)</b>	(29,586)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>78,920</b>	116,672
<b>DISCONTINUED OPERATION</b>			
Profit for the year from a discontinued operation	12	<b>28,813</b>	2,297
<b>PROFIT FOR THE YEAR</b>		<b>107,733</b>	118,969
<b>Attributable to:</b>			
Owners of the parent		<b>104,241</b>	110,998
Non-controlling interests		<b>3,492</b>	7,971
		<b>107,733</b>	118,969

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (Restated)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	14	HK\$	HK\$
Basic			
– For profit for the year		<b>11.02 cents</b>	11.73 cents
– For profit from continuing operations		<b>7.97 cents</b>	11.49 cents
Diluted			
– For profit for the year		<b>11.02 cents</b>	11.73 cents
– For profit from continuing operations		<b>7.97 cents</b>	11.49 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000 (Restated)
<b>PROFIT FOR THE YEAR</b>	<b>107,733</b>	118,969
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(29,507)</b>	13,673
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(29,507)</b>	13,673
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>78,226</b>	132,642
Attributable to:		
Owners of the parent	<b>74,222</b>	125,453
Non-controlling interests	<b>4,004</b>	7,189
	<b>78,226</b>	132,642

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	238,660	240,115
Prepaid land lease payments	16	1,570	1,620
Investment properties	17	–	2,350,822
Goodwill	18	11,672	11,672
Investments in associates	19	47,216	37,324
Prepayments, other receivables and other assets	24	13,110	17,934
Long term receivables	20	8,367	17,804
Equity investments designated at fair value through other comprehensive income	21	2,273	–
Deferred tax assets	29	2,006	4,530
<b>Total non-current assets</b>		<b>324,874</b>	2,681,821
<b>CURRENT ASSETS</b>			
Inventories	22	306,213	246,341
Trade receivables	23	246,469	200,493
Long term receivables – current portion	20	23,322	32,524
Prepayments, other receivables and other assets	24	302,939	177,038
Pledged deposits	25	6,569	8,720
Cash and cash equivalents	25	64,820	172,464
		<b>950,332</b>	837,580
Assets of a disposal group classified as held for sale	12	2,647,636	–
<b>Total current assets</b>		<b>3,597,968</b>	837,580
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	246,440	211,889
Other payables and accruals	27	63,614	100,993
Deferred revenue		2,004	2,676
Tax payable		8,767	12,553
Interest-bearing bank and other borrowings	28	398,044	579,267
		<b>718,869</b>	907,378
Liabilities directly associated with the assets classified as held for sale	12	2,621,453	–
<b>Total current liabilities</b>		<b>3,340,322</b>	907,378
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>257,646</b>	(69,798)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>582,520</b>	2,612,023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	28	–	1,561,235
Deferred revenue		1,951	4,193
Deferred tax liabilities	29	789	497,735
<b>Total non-current liabilities</b>		<b>2,740</b>	2,063,163
<b>Net assets</b>		<b>579,780</b>	548,860
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	30	9,461	9,461
Reserves	31	564,191	537,275
		<b>573,652</b>	546,736
<b>Non-controlling interests</b>		<b>6,128</b>	2,124
<b>Total equity</b>		<b>579,780</b>	548,860

Lam Yin Kee  
Director

Yeung Po Wah  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Capital redemption reserve	Retained profits			
	HK\$'000 (note 30)	HK\$'000 (note 30)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At 1 January 2017</b>	5,256	281,593	5,799	16,714	(12,158)	42	194,470	491,716	(5,065)	486,651
Profit for the year	-	-	-	-	-	-	110,998	110,998	7,971	118,969
Other comprehensive income/(loss) for the year:										
Exchange differences related to foreign operations	-	-	-	-	14,455	-	-	14,455	(782)	13,673
Total comprehensive income for the year	-	-	-	-	14,455	-	110,998	125,453	7,189	132,642
Bonus issue of shares (note 30)	4,205	(4,205)	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	5,784	-	-	(5,784)	-	-	-
Interim 2017 dividend paid	-	-	-	-	-	-	(28,383)	(28,383)	-	(28,383)
Final 2016 dividend paid	-	-	-	-	-	-	(42,050)	(42,050)	-	(42,050)
At 31 December 2017	9,461	277,388*	5,799*	22,498*	2,297*	42*	229,251*	546,736	2,124	548,860
<b>At 1 January 2018</b>	<b>9,461</b>	<b>277,388</b>	<b>5,799</b>	<b>22,498</b>	<b>2,297</b>	<b>42</b>	<b>229,251</b>	<b>546,736</b>	<b>2,124</b>	<b>548,860</b>
Profit for the year	-	-	-	-	-	-	104,241	104,241	3,492	107,733
Other comprehensive income/(loss) for the year:										
Exchange differences related to foreign operations	-	-	-	-	(30,019)	-	-	(30,019)	512	(29,507)
Total comprehensive income for the year	-	-	-	-	(30,019)	-	104,241	74,222	4,004	78,226
Transfer from retained profits	-	-	-	2,069	-	-	(2,069)	-	-	-
Final 2017 dividend paid	-	-	-	-	-	-	(47,306)	(47,306)	-	(47,306)
At 31 December 2018	<b>9,461</b>	<b>277,388*</b>	<b>5,799*</b>	<b>24,567*</b>	<b>(27,722)*</b>	<b>42*</b>	<b>284,117*</b>	<b>573,652</b>	<b>6,128</b>	<b>579,780</b>

\* These reserve accounts comprise the consolidated reserves of HK\$564,191,000 (2017: HK\$537,275,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax			
From continuing operations		<b>101,481</b>	146,258
From a discontinued operation	12	<b>94,712</b>	37,818
Adjustments for:			
Finance costs	8, 12	<b>132,799</b>	121,712
Interest income	7	<b>(3,728)</b>	(3,897)
Depreciation	7	<b>18,949</b>	17,024
Amortisation of prepaid land lease prepayments	7	<b>50</b>	50
Share of profits and losses of associates		<b>1,750</b>	794
Gain on deemed disposal of partial interests in an associate	7	<b>(17,963)</b>	(8,370)
Realised gain on disposal of partial interests in an associate	7	<b>(18,406)</b>	–
Amortisation of non-current prepayments	7	<b>4,038</b>	6,161
Realised gain on disposal of equity investments at fair value through profit or loss	7	<b>–</b>	(5)
Gain on changes in fair value of investment properties	12	<b>(89,550)</b>	(121,104)
(Gain)/loss on disposal of items of property, plant and equipment	7	<b>(36)</b>	1
Gain on bargain purchase		<b>–</b>	(6,263)
		<b>224,096</b>	190,179
Increase in inventories		<b>(59,872)</b>	(35,542)
Increase in trade receivables		<b>(241,618)</b>	(15,392)
Decrease/(increase) in long term receivables		<b>9,202</b>	(12,851)
Increase in prepayments, other receivables and other assets		<b>(125,114)</b>	(56,732)
(Decrease)/increase in deferred revenue		<b>(2,914)</b>	4,430
(Decrease)/increase in trade and bills payables		<b>(11,425)</b>	9,752
Increase in trust receipt loans		<b>213</b>	708
Increase/(decrease) in other payables and accruals		<b>250,909</b>	(10,773)
Cash generated from operations		<b>43,477</b>	73,779
Interest received		<b>3,728</b>	3,897
Interest paid		<b>(132,799)</b>	(121,712)
Tax paid		<b>(51,608)</b>	(28,152)
Net cash flows used in operating activities		<b>(137,202)</b>	(72,188)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Notes	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment and intangible assets	(24,165)	(28,762)
Proceeds from acquisition consideration	–	1,720
Decrease in investments in associates	24,727	4
Decrease/(increase) in long term receivables	9,437	(14,263)
Disposal of financial assets at fair value through profit or loss	–	432
Increase in pledged deposits	–	(22)
Purchase of an equity investment at fair value through other comprehensive income	(2,273)	–
Proceeds from disposals of items of property, plant and equipment	3,925	1,445
Net cash flows from/(used in) in investing activities	<b>11,651</b>	(39,446)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans and other borrowings	248,721	95,597
Repayments of bank loans and other borrowings	(198,044)	(98,341)
Dividends paid	(47,306)	(70,433)
Capital element of finance lease payments	(408)	(1,006)
Decrease in pledged deposits	2,151	–
Net cash flows from/(used in) financing activities	<b>5,114</b>	(74,183)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	152,930	329,868
Effect of foreign exchange rate changes, net	5,444	8,879
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>37,937</b>	152,930
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash balances	64,820	118,438
Non-pledged time deposits with original maturity of less than three months	–	54,026
Cash and cash equivalents as stated in the consolidated statement of financial position	25 <b>64,820</b>	172,464
Bank overdrafts	28 <b>(27,532)</b>	(19,534)
Cash and short term deposits attributable to a discontinued operation	12 <b>649</b>	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	<b>37,937</b>	152,930

## 1. CORPORATE AND GROUP 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 trading of biodiesel products, the provision of energy saving business solutions and the operation of investment properties business.

The Company’s shares have 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.

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owned 46.48% of the Company’s issued shares as at 31 December 2018 (At 31 December 2017: 46.48%). In the opinion of the directors, the Company’s ultimate holding company is Profit International Holdings Limited and the ultimate controlling party is Mr. Lam Yin Kee.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Alltronics (BVI) Limited	The British Virgin Islands	100 ordinary shares of US\$1 each	100	–	Investment holding in Hong Kong
Alltronics Resources Limited	The British Virgin Islands	100 ordinary shares of US\$1 each	100	–	Investment holding in Hong Kong
Alltronics Industries Limited	Hong Kong	1 ordinary share of HK\$1	100	–	Investment holding in Hong Kong
Alltronics Project Limited	Hong Kong	100 ordinary shares totalling HK\$100	100	–	Investment holding and energy saving business in Hong Kong
Alltronics Tech. Mftg. Limited	Hong Kong	500,000 ordinary shares totalling HK\$500,000	–	100	Research and development, manufacturing and trading of electronic products
WT Technology Development Company Limited	Hong Kong	10,000 ordinary shares totalling HK\$10,000	–	100	Investment holding in Hong Kong

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## 1. CORPORATE AND GROUP INFORMATION (Continued) Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Allcomm (H.K.) Limited	Hong Kong	2 ordinary shares totalling HK\$2	–	100	Investment holding and trading of electronic products
Shenzhen Allcomm Electronic Co. Ltd.**	The People's Republic of China ("PRC")	Registered capital of US\$2,500,000	–	100	Manufacture of electronic products
Dynamic Progress International Limited	Hong Kong	10,000 ordinary shares totalling HK\$10,000	–	51	Trading of biodiesel products and provision of energy efficient gas stoves
Southchina Engineering and Manufacturing Limited	Hong Kong	1,000,000 ordinary shares totalling HK\$1,000,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC
華泰電器制品(深圳)有限公司**	PRC	Registered capital of RMB1,000,000	–	100	Manufacturing of transformers, solenoids and other components for electronic products in the PRC
陽江市華訊電子制品有限公司**	PRC	Registered capital of US\$1,500,000	–	100	Manufacturing of transformers, solenoids and other components for electronic products in the PRC
Alltronics Energy Saving (Shenzhen) Limited**	PRC	Registered capital of HK\$60,000,000	–	100	Provision of energy saving business solutions to customers
南盈科技發展(深圳)有限公司*/**	PRC	Registered capital of HK\$7,700,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories
南華匯盈科技發展(深圳)有限公司*/**	PRC	Registered capital of HK\$12,000,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
宜春華訊電子製品有限公司**	PRC	Registered capital of RMB20,000,000	–	100	Manufacturing of transformers, solenoids and other components for electronic products in the PRC
Sino Growth Holdings Limited	The British Virgin Islands	1 ordinary share of US\$1	100	–	Investment holding in Samoa
Bonroy Limited	Samoa	1 ordinary share of US\$1	–	100	Investment holding in Hong Kong
Triumph Consumer Goods Limited	Hong Kong	10,000 ordinary shares totalling HK\$10,000	–	100	Investment holding in the PRC
Shenzhen Chong Ruan Finance Lease Company Limited**	PRC	Registered capital of US\$15,000,000	–	100	Investment holding in the PRC
Beijing Wan Heng Da Investment Company Limited**	PRC	Registered capital of RMB570,000,000	–	100	Property leasing in the PRC

\* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

\*\* These companies are registered as wholly-foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO FINANCIAL STATEMENTS

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## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to IFRS 4 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (a) Amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.
- (b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

### *Classification and measurement*

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI" criterion).

The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial instruments.

# NOTES TO FINANCIAL STATEMENTS

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) (Continued)

#### *Impairment*

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 31 December 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and the general approach and recorded 12-month ECLs on financial assets included in prepayments, other receivables and other assets. The Group determined that there have been no significant financial impact arising from these changes.

- (c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 6 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. The Group mainly engages in manufacturing and trading of electronic products, trading of biodiesel products, the provision of energy saving business solutions and operation of investment properties business.

The application of HKFRS 15 in the year has had no material impact on the amounts and/or disclosures reported in these consolidated financial statements.

- (d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 16	<i>Leases</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$38,294,000 and lease liabilities of HK\$38,294,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(FRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group’s financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets (Continued)

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% – 3.23%
Leasehold improvements	16.67% – 20% or over the lease terms, whichever is shorter
Plant and machinery	9% – 20%
Motor vehicles	9% – 20%
Office equipment	10% – 20%
Furniture and fixtures	18% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

### Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

#### Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expense for receivables.

##### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

##### *General approach (Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of purchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)**

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### **Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

### **Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition (applicable from 1 January 2018)

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### *Sale of electronic products*

Revenue from the sale of electronic products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of electronic products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

#### *Rental income*

Rental income is recognised on the straight-line basis over the lease terms.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (applicable from 1 January 2018) (Continued)

##### *Maintenance service income*

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

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) *Sale of goods*

Income from the sale of goods is recognised, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) *Interest income*

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(c) *Income from energy management contracts*

Income from energy management contracts is recognised as income from the sale of energy saving equipment and maintenance service income.

i) *Income from the sale of energy saving equipment*

Revenue from the sale of energy saving equipment is recognised as sales 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).

ii) *Maintenance service income*

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (applicable before 1 January 2018) (Continued)

(d) *Rental income*

Rental income is recognised on the straight-line basis over the lease terms.

(e) *Dividend income*

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

### Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

### Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company which is the Hong Kong dollar at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into Hong Kong dollar at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

#### *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

#### *Income taxes*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was HK\$11,672,000 (2017: HK\$11,672,000). Further details are given in note 18 to the financial statements.

#### *Provision for expected credit losses on trade receivables and other receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

##### Estimation uncertainty (Continued)

###### *Provision for expected credit losses on trade receivables and other receivables (Continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 23 and note 24 to the financial statements, respectively.

###### *Estimation of fair value of investment properties*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2018 was HK\$2,314,214,000 (2017: HK\$2,350,822,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 17 to the financial statements.

###### *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 judgement 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. Further details are given in note 22 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### *Useful lives and residual values of property, plant and equipment*

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2018 and 2017 were HK\$238,660,000 and HK\$240,115,000, respectively. Further details are given in note 15 to the financial statements.

#### *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

#### *Recognition of revenue from energy management contracts*

The Group recognises revenue from energy management contracts 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 is recognised as sales of energy saving equipment and maintenance service 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.

#### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**5. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;
- (b) the biodiesel products segment – the trading of biodiesel products and provision of energy efficient gas stoves in Hong Kong; and
- (c) the energy saving business segment – the provision of energy saving business solutions to customers.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax and unallocated operating costs).

All sales between segments are eliminated on consolidation. All segment revenue reported is derived from external parties.

Segment assets exclude cash and cash equivalents, prepayments and deposits and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude accruals and other payables as these liabilities are managed on a group basis.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 5. OPERATING SEGMENT INFORMATION (Continued)

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
<b>Year ended 31 December 2018</b>				
<b>Segment revenue</b> (note 6)				
Sales to external customers	1,277,160	4,161	992	1,282,313
Revenue from services	–	–	2,500	2,500
Revenue from continuing operations	1,277,160	4,161	3,492	1,284,813
<b>Segment results</b>				
Operating profit before interest and tax	94,430	402	(9,120)	85,712
Share of profits and losses of associates	(1,750)	–	–	(1,750)
Gain on deemed disposal of partial interests in an associate	17,963	–	–	17,963
Realised gain on disposal of partial interests in an associate	18,406	–	–	18,406
Finance costs	(15,613)	–	(5)	(15,618)
Finance income	1,317	–	2,411	3,728
Income tax expense	(22,561)	–	–	(22,561)
	92,192	402	(6,714)	85,880
Unallocated operating costs				(6,960)
Profit for the year from continuing operations				78,920
<b>Segment assets</b>				
Unallocated:	970,186	3,308	70,582	1,044,076
Cash and cash equivalents				827
Prepayments and deposits				230,303
Assets related to a discontinued operation				2,647,636
Total assets				3,922,842
<b>Segment liabilities</b>				
Unallocated:	716,100	196	4,336	720,632
Other payables and accruals				977
Liabilities related to a discontinued operation				2,621,453
Total liabilities				3,343,062
<b>Other segment information:</b>				
Investments in associates	47,216	–	–	47,216
Depreciation and amortisation	(18,765)	(170)	(14)	(18,949)
Capital expenditure*	24,096	–	69	24,165
Gain on deemed disposal of partial interests in an associate	17,963	–	–	17,963
Realised gain on disposal of partial interests in an associate	18,406	–	–	18,406

\* Capital expenditure consists of additions of property, plant and equipment.

**5. OPERATING SEGMENT INFORMATION (Continued)**

	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
<b>Year ended 31 December 2017 (Restated)</b>				
<b>Segment revenue:</b>				
Sales to external customers	1,235,370	3,828	31,195	1,270,393
Revenue from services	–	–	4,828	4,828
Revenue from continuing operations	1,235,370	3,828	36,023	1,275,221
<b>Segment results</b>				
Operating profit before interest and tax	147,223	422	1,728	149,373
Share of profits and losses of associates	(794)	–	–	(794)
Gain on deemed disposal of partial interests in an associate	8,370	–	–	8,370
Finance costs	(10,029)	–	–	(10,029)
Finance income	1,398	–	2,499	3,897
Income tax expense	(29,586)	–	–	(29,586)
	116,582	422	4,227	121,231
Unallocated operating costs				(4,559)
Profit for the year from continuing operations				116,672
<b>Segment assets</b>				
Unallocated:	953,475	2,932	98,956	1,055,363
Cash and cash equivalents				27
Prepayments and deposits				1,255
Assets related to investment properties business reported as discontinued operation in 2018				2,462,756
Total assets				3,519,401
<b>Segment liabilities</b>				
Unallocated:	633,259	230	7,516	641,005
Other payables and accruals				1,104
Liabilities related to investment properties business reported as discontinued operation in 2018				2,328,432
Total liabilities				2,970,541
<b>Other segment information:</b>				
Investments in associates	37,324	–	–	37,324
Depreciation and amortisation	(16,627)	(185)	(6,367)	(23,179)
Capital expenditure*	27,869	6	–	27,875
Gain on deemed disposal of partial interests in an associate	8,370	–	–	8,370

\* Capital expenditure consists of additions of property, plant and equipment.

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 5. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information

(a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000 (Restated)
The United States	608,175	606,986
Hong Kong	307,000	303,449
Europe	228,146	197,437
Mainland China	100,008	132,060
Other overseas countries	41,484	35,289
	<b>1,284,813</b>	1,275,221

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

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	255,608	251,539
Mainland China	67,260	2,425,752
	<b>322,868</b>	2,677,291

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

### Information about major customers

For the year ended 31 December 2018, revenues of approximately HK\$433,643,000 (2017: HK\$448,470,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

## 6. REVENUE

An analysis of revenue is as follows:

	2018 HK\$'000	2017 HK\$'000 (Restated)
Sale of goods	1,282,313	1,270,393
Maintenance services	2,500	4,828
	<b>1,284,813</b>	1,275,221

### Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2018

Segments	Electronic products HK\$'000	Biodiesel products HK\$'000	Energy saving business HK\$'000	Total HK\$'000
Goods transferred at a point in time	1,277,160	4,161	992	1,282,313
Services transferred over time	–	–	2,500	2,500
Total revenue from contracts with customers	<b>1,277,160</b>	<b>4,161</b>	<b>3,492</b>	<b>1,284,813</b>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

#### Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

#### Maintenance services

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 7. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2018 HK\$'000	2017 HK\$'000 (Restated)
Cost of inventories sold and services provided		748,796	721,878
Depreciation	15	18,949	17,024
Amortisation of prepaid land lease payments	16	50	50
Auditors' remuneration		2,148	2,050
Amortisation of non-current prepayments	24	4,038	6,161
(Written-back)/written-off of inventories to net realisable value	22	(8,945)	9,510
Minimum lease payments under operating leases		16,230	17,670
Directors' and chief executive's remuneration	9	15,847	17,860
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		257,385	198,382
Pension scheme contributions		1,059	1,031
Staff welfare and allowances		14,412	13,969
		<b>272,856</b>	213,382
Gain on bargain purchase		–	(6,263)
Gain on deemed disposal of partial interests in an associate*		(17,963)	(8,370)
Realised gain on disposal of partial interests in an associate**		(18,406)	–
(Gain)/loss on disposal of property, plant and equipment		(36)	1
Foreign exchange differences, net		(7,163)	6,090
Impairment of trade receivables, net	23	328	688
Realised gain on disposal of equity investments at fair value through profit or loss		–	(5)
Interest income from bank deposits		(1,346)	(1,429)
Interest income from long term receivables		(2,382)	(2,468)

\* Gain on deemed disposal of partial interests in an associate has been recorded as HK\$17,963,000 (2017: HK\$8,370,000) due to the new investment in Yichun Yilian Print Tech Co., Ltd. from other investors.

\*\* Realised gain on disposal of partial interests in an associate has been recorded as HK\$18,406,000 due to the sale of 3,000 shares of P2 Mobile Technologies Ltd.

**8. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000 (Restated)
Interest on bank loans and other borrowings	<b>15,594</b>	9,969
Interest element of finance leases	<b>24</b>	60
Total finance costs	<b>15,618</b>	10,029

**9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Fees	<b>1,848</b>	1,590
Other emoluments		
Salaries and benefits in kind	<b>13,259</b>	12,237
Discretionary bonuses	<b>650</b>	3,955
Pension scheme contributions	<b>90</b>	78
	<b>13,999</b>	16,270
	<b>15,847</b>	17,860

# NOTES TO FINANCIAL STATEMENTS

31 December 2018

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK\$'000	2017 HK\$'000
Mr. Yau Ming Kim, Robert	308	294
Mr. Pang Kwong Wah	308	293
Mr. Yen Yuen Ho, Tony	308	293
Mr. Lin Kam Sui *	308	171
	1,232	1,051

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

\* Mr. Lin Kam Sui was appointed as an independent non-executive director on 1 June 2017.

### (b) Executive directors and non-executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses <sup>2</sup> HK\$'000	Estimated money value of other benefits <sup>1</sup> HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>2018</b>						
<b>Executive directors:</b>						
Mr. Lam Yin Kee (Note i)	–	5,355	650	1,800	18	7,823
Ms. Yeung Po Wah	–	1,518	–	–	18	1,536
Ms. Liu Jing	–	662	–	–	–	662
Mr. So Kin Hung	–	1,422	–	–	18	1,440
Mr. Lam Chee Tai, Eric	–	1,872	–	–	18	1,890
Mr. Meng Fei (Note ii)	–	630	–	–	18	648
	–	11,459	650	1,800	90	13,999
<b>Non-executive directors:</b>						
Mr. Fan, William Chung Yue	308	–	–	–	–	308
Mr. Lau Fai Lawrence (Note iii)	308	–	–	–	–	308
	616	11,459	650	1,800	90	14,615

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

## (b) Executive directors and non-executive directors (Continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses <sup>2</sup> HK\$'000	Estimated money value of other benefits <sup>1</sup> HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>2017</b>						
<b>Executive directors:</b>						
Mr. Lam Yin Kee ( <i>Note i</i> )	–	4,963	3,155	1,800	18	9,936
Ms. Yeung Po Wah	–	1,419	200	–	18	1,637
Ms. Liu Jing	–	630	100	–	–	730
Mr. So Kin Hung	–	1,342	100	–	18	1,460
Mr. Lam Chee Tai, Eric	–	1,733	300	–	18	2,051
Mr. Meng Fei ( <i>Note ii</i> )	–	350	100	–	6	456
	–	10,437	3,955	1,800	78	16,270
<b>Non-executive directors:</b>						
Mr. Fan, William Chung Yue	294	–	–	–	–	294
Mr. Lau Fai Lawrence ( <i>Note iii</i> )	245	–	–	–	–	245
	539	10,437	3,955	1,800	78	16,809

<sup>1</sup> Other benefits represent rental paid by the Group for the quarters of the directors.

<sup>2</sup> Discretionary bonuses are determined by the remuneration committee and the Board of the Company having regard to the Company's and individual directors' performance.

## Notes:

- (i) Mr. Lam Yin Kee is also the chief executive officer of the Group.
- (ii) Mr. Meng Fei was appointed on 1 June 2017. The executive duties of Mr. Meng Fei have been suspended from 28 March 2019.
- (iii) Mr. Lau Fai Lawrence was appointed on 1 June 2017, and has been resigned from the office effective from 31 December 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: two), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	4,959	3,209
Performance related bonuses	500	3,000
Pension scheme contributions	54	54
	<b>5,513</b>	<b>6,263</b>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2018	2017
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$2,000,001 to HK\$2,500,000	–	3
HK\$2,500,001 to HK\$3,000,000	–	–
	<b>3</b>	<b>3</b>

**11. INCOME TAX**

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

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% (2017: 25%) on the taxable income.

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000 (Restated)
Current – Mainland China	<b>10,553</b>	21,059
Current – Hong Kong	<b>11,050</b>	11,632
Overprovision in prior years	<b>(263)</b>	(319)
Deferred ( <i>note 29</i> )	<b>1,221</b>	(2,786)
Total tax charge for the year from continuing operations	<b>22,561</b>	29,586
Total tax charge for the year from a discontinued operation ( <i>note 12</i> )	<b>65,899</b>	35,521
Total tax charge for the year	<b>88,460</b>	65,107

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### 11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2018		2017	
	HK\$'000	%	HK\$'000 (Restated)	%
Profit before tax from continuing operations	101,481		146,258	
Profit before tax from a discontinued operation	94,712		37,818	
	<b>196,193</b>		<b>184,076</b>	
Tax at the statutory tax rates	32,372	16.5	30,373	16.5
Effect of different taxation rates in other countries	8,965	4.6	10,888	5.9
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	564	0.3	–	–
Income not subject to tax	(8,179)	(4.2)	(3,049)	(1.7)
Expenses not deductible for tax	7,303	3.7	4,342	2.4
Overprovision in prior years	(268)	(0.1)	(319)	(0.2)
Tax losses not recognised	48,487	24.7	23,841	13.0
Utilisation of previously unrecognised tax losses	(876)	(0.4)	(954)	(0.5)
Others	92	–	(15)	–
Tax charge at the Group's effective tax rate	<b>88,460</b>	<b>45.1</b>	<b>65,107</b>	<b>35.4</b>
Tax charge from continuing operations at the effective rate	<b>22,561</b>		<b>29,586</b>	
Tax charge from a discontinued operation at the effective rate	<b>65,899</b>		<b>35,521</b>	

## 12. DISCONTINUED OPERATION

On 20 December 2018, the Group entered into a sale and purchase agreement for the disposal of the entire issued share capital of Bonroy Limited, being an indirect wholly-owned subsidiary of the Company which carried out all of the Group's investment properties business, at a consideration of RMB100 million. On 20 March 2019, an extraordinary general meeting of the Company was held and the resolution for the disposal transaction of Bonroy Limited was duly approved by the shareholders of the Company. The disposal of the Bonroy Group is expected to be completed in the first half of 2019. The investment properties business segment is reported as a discontinued operation in the Group's consolidated financial statements.

The consolidated results for the year ended 31 December 2018 from the discontinued investment properties business are set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the investment properties business as a discontinued operation.

The results of the Bonroy Group for the year are presented below:

	2018 HK\$'000	2017 HK\$'000
Revenue	249,339	65,698
Gain on changes in fair value of investment properties	89,550	121,104
Expenses	(126,996)	(37,301)
Finance costs	(117,181)	(111,683)
Profit from the discontinued operation	94,712	37,818
Profit before tax from the discontinued operation	94,712	37,818
Income tax:		
Related to pre-tax profit ( <i>Note</i> )	(65,899)	(35,521)
Profit for the year from the discontinued operation	28,813	2,297

*Note:*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Bonroy Group is domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2018		2017	
	HK\$'000	%	HK\$'000	%
Profit before tax from a discontinued operation	94,712		37,818	
Tax at the statutory tax rate	15,627	16.5	6,240	16.5
Effect of different taxation rates in other countries	8,051	8.5	3,215	8.5
Income not subject to tax	–	–	(160)	(0.4)
Expenses not deductible for tax	1,027	1.1	–	–
Tax losses not recognised	41,194	43.5	26,226	69.3
Tax charge from a discontinued operation at the effective rate	65,899	69.6	35,521	93.9

## NOTES TO FINANCIAL STATEMENTS

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### 12. DISCONTINUED OPERATION (Continued)

The major classes of assets and liabilities of the Bonroy Group classified as held for sale as at 31 December are as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Assets</b>		
Property, plant and equipment	117	–
Investment properties ( <i>note 17</i> )	2,314,214	–
Cash and cash equivalents	649	–
Trade receivables	241,618	–
Prepayments, other receivables and other assets	91,038	–
Assets classified as held for sale	<b>2,647,636</b>	–
<b>Liabilities</b>		
Other payables and accruals	(141,361)	–
Due to the Group ( <i>note</i> )	(237,965)	–
Interest-bearing bank and other borrowings	(1,707,067)	–
Deferred tax liabilities	(535,060)	–
Liabilities directly associated with the assets classified as held for sale	<b>(2,621,453)</b>	–
Net assets directly associated with the disposal group	<b>26,183</b>	–

*Note:* Pursuant to the agreement between the Group and the third party buyer of the Bonroy Group, the balance will be settled within one year from the completion date of the disposal.

The net cash flows incurred by the Bonroy Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Operating activities	(23,229)	23,761
Investing activities	–	(832)
Financing activities	23,086	(24,280)
Net cash outflow	<b>(143)</b>	(1,351)
Earnings per share:		
Basic, from the discontinued operation	<b>HK3.05 cents</b>	HK0.24 cents
Diluted, from the discontinued operation	<b>HK3.05 cents</b>	HK0.24 cents

**12. DISCONTINUED OPERATION (Continued)**

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2018	2017
Profit attributable to ordinary equity holders of the parent from the discontinued operation	<b>HK\$28,813,000</b>	HK\$2,297,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ( <i>note 14</i> )	<b>946,116,360</b>	946,116,360
Weighted average number of ordinary shares used in the diluted earnings per share calculation ( <i>note 14</i> )	<b>946,116,360</b>	946,116,360

**13. DIVIDENDS**

	2018 HK\$'000	2017 HK\$'000
Interim – HK0.0 cent (2017: HK3.0 cents) per ordinary share	–	28,383
Proposed final – HK0.0 cent (2017: HK5.0 cents) per ordinary share	–	47,306
	–	75,689

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Final dividend of HK5 cents per share).

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### 14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculations of basic and diluted earnings per share are based on:

	2018 HK\$'000	2017 HK\$'000 (Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	75,428	108,701
From a discontinued operation	28,813	2,297
Profit attributable to ordinary equity holders of the parent	<b>104,241</b>	110,998
<b>Number of shares</b>		
	2018	2017
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>946,116,360</b>	946,116,360

## 15. 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	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2018</b>								
At 31 December 2017 and at 1 January 2018:								
Cost	200,618	7,510	22,061	73,801	68,477	19,001	11,748	403,216
Accumulated depreciation	(15,532)	(5,335)	(14,257)	(57,274)	(58,327)	(12,376)	-	(163,101)
Net carrying amount	185,086	2,175	7,804	16,527	10,150	6,625	11,748	240,115
At 1 January 2018,								
net of accumulated depreciation	185,086	2,175	7,804	16,527	10,150	6,625	11,748	240,115
Additions	-	771	7,156	12,849	1,624	1,765	-	24,165
Assets included in a discontinued operation (note 12)	-	(105)	(12)	-	-	-	-	(117)
Disposals	-	(13)	(389)	(707)	(2,670)	(110)	-	(3,889)
Depreciation (note 7)	(6,368)	(668)	(2,117)	(4,044)	(3,674)	(2,078)	-	(18,949)
Transfers	-	-	-	-	11,081	-	(11,081)	-
Exchange realignment	-	(84)	(399)	(1,006)	(341)	(168)	(667)	(2,665)
At 31 December 2018,								
net of accumulated depreciation	178,718	2,076	12,043	23,619	16,170	6,034	-	238,660
At 31 December 2018:								
Cost	200,618	7,635	25,097	80,095	65,034	19,551	-	398,030
Accumulated depreciation	(21,900)	(5,559)	(13,054)	(56,476)	(48,864)	(13,517)	-	(159,370)
Net carrying amount	178,718	2,076	12,043	23,619	16,170	6,034	-	238,660

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### 15. 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	Construction in progress HK\$'000	Total HK\$'000
31 December 2017								
At 31 December 2016 and at 1 January 2017:								
Cost	200,618	7,243	18,842	70,531	60,297	17,708	-	375,239
Accumulated depreciation	(9,164)	(5,859)	(13,366)	(56,156)	(52,834)	(10,411)	-	(147,790)
Net carrying amount	191,454	1,384	5,476	14,375	7,463	7,297	-	227,449
At 1 January 2017, net of accumulated depreciation	191,454	1,384	5,476	14,375	7,463	7,297	-	227,449
Additions	-	1,064	3,699	5,552	5,130	1,569	11,748	28,762
Acquisition of subsidiaries	-	164	58	-	-	-	-	222
Disposals	-	(56)	(376)	(969)	-	(44)	-	(1,445)
Depreciation (note 7)	(6,368)	(444)	(1,426)	(3,806)	(2,578)	(2,402)	-	(17,024)
Exchange realignment	-	63	373	1,375	135	205	-	2,151
At 31 December 2017, net of accumulated depreciation	185,086	2,175	7,804	16,527	10,150	6,625	11,748	240,115
At 31 December 2017:								
Cost	200,618	7,510	22,061	73,801	68,477	19,001	11,748	403,216
Accumulated depreciation	(15,532)	(5,335)	(14,257)	(57,274)	(58,327)	(12,376)	-	(163,101)
Net carrying amount	185,086	2,175	7,804	16,527	10,150	6,625	11,748	240,115

As at 31 December 2018, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK\$1,964,000 (2017: HK\$2,630,000) and HK\$1,407,000 (2017: HK\$1,381,000), respectively. The lease terms are between 4 and 5 years.

At 31 December 2018, the Group's leasehold property with a carrying amount of HK\$173,500,000 (2017: HK\$179,600,000) was pledged as security for the Group's bank loans, as further detailed in note 28(b) to the financial statements.

**16. PREPAID LAND LEASE PAYMENTS**

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	<b>1,620</b>	1,670
Recognised during the year ( <i>note 7</i> )	<b>(50)</b>	(50)
Carrying amount at 31 December	<b>1,570</b>	1,620

The Group's leasehold land is situated in Shenzhen and held under a medium term lease.

**17. INVESTMENT PROPERTIES**

	<i>Notes</i>	<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January		<b>2,350,822</b>	–
Acquisition from business combination		–	2,132,942
Net gain on fair value adjustment	12	<b>89,550</b>	121,104
Exchange realignments		<b>(126,158)</b>	96,776
Asset included in a discontinued operation	12	<b>(2,314,214)</b>	–
Carrying amount at 31 December		<b>–</b>	2,350,822

The Group's investment properties are held under long term leases and are commercial shopping mall situated in Chaoyang District in Beijing, Mainland China. The investment properties were leased to third parties under operating leases.

The investment properties were pledged to secure the interest-bearing bank loans of the Bonroy Group.

All investment properties were revalued at the end of the year based on valuations performed by the independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited, an industry specialist in investment property valuation with appropriate qualifications and experience. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions.

As at the date of this report, the Group has obtained the real estate certificates for all the above investment properties.

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## 17. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at the end of each reporting period using			Total HK\$'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
<b>As at 31 December 2018</b>				
Commercial properties	–	–	2,314,214	2,314,214

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment properties HK\$'000
Carrying amount at 24 January 2017	2,132,942
Net gain on fair value adjustment recognised in other operating income in profit or loss	121,104
Exchange realignments	96,776
Carrying amount at 31 December 2017 and 1 January 2018	2,350,822
Net gain on fair value adjustment recognised in other operating income in profit or loss	89,550
Exchange realignments	(126,158)
Asset included in a discontinued operation ( <i>note 12</i> )	(2,314,214)
Carrying amount at 31 December 2018	–

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Valuation techniques	Significant unobservable inputs	Range or weighted average	
		2018	2017
Commercial properties	Income approach in particular, Term and Reversionary ("T & R") method	6.6%	6.4%
	Term yields Market yields	6.6%	6.4%

**17. INVESTMENT PROPERTIES (Continued)****Fair value hierarchy (Continued)**

The T & R Method measures the value of the properties as the total of term value and reversionary value, which have taken into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases. The term value was estimated based on the existing rents and tenancy periods as stated in the lease agreements and the term yields during the term periods. The reversionary value was estimated based on the market rents of the properties, market yields and the reversionary periods which were estimated as the periods from the expiration dates of the existing tenancies to the end of the land use right.

The term yields were developed based on independent research on the sales and rental evidence of the comparable properties in the market and the consideration of lower risk exposure during the term periods. The market yields were developed based on research on the sales and rental evidence of the properties in the Beijing market. The market rents were estimated based on the market rents of comparable properties in the neighbourhood and with reference to the term rents of the last tenancy periods.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the reporting period:

	Increase/(decrease) in significant unobservable inputs %	(Decrease)/increase in fair value by HK\$'000
<b>Year ended 31 December 2018</b>		
Term yields	2/(2)	(121,001)/138,320
Market yields	2/(2)	(168,551)/214,156
	Increase/(decrease) in significant unobservable inputs %	(Decrease)/increase in fair value by HK\$'000
<b>Year ended 31 December 2017</b>		
Term yields	2/(2)	(146,455)/169,869
Market yields	2/(2)	(187,739)/243,343

During the twelve months ended 31 December 2018, the Group has recorded a gain in fair value of investment properties in the amount of approximately HK\$89,550,000 (twelve months ended 31 December 2017: HK\$121,104,000). The increase in fair value of investment properties was due to the increase of future rental income, since the T & R method considered the rental receivable from the lease agreement existed as at the valuation date.

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## 18. GOODWILL

	2018 HK\$'000	2017 HK\$'000
At 1 January:		
Cost	19,931	19,931
Accumulated impairment	(8,259)	(8,259)
Net carrying amount	11,672	11,672
Cost at 1 January, net of accumulated impairment	11,672	11,672
Impairment provided during the year	–	–
Cost and net carrying amount at 31 December	11,672	11,672
At 31 December:		
Cost	19,931	19,931
Accumulated impairment	(8,259)	(8,259)
Net carrying amount	11,672	11,672

### Impairment testing of goodwill

The net carrying amount of goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of one subsidiary, namely Southchina Engineering and Manufacturing Limited ("Southchina"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3 to the financial statements. Management considers Southchina as one separate industrial products cash-generating unit (the "CGU"). The recoverable amount of the CGU is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina, approved by management covering a five-year period. The pre-tax discount rate of 13% (2017: 13%) has been applied to the cash flow projections for Southchina to reflect specific risks relating to the CGU.

**18. GOODWILL (Continued)****Impairment testing of goodwill (Continued)**

Assumptions were used in the value in use calculation of the CGU for 31 December 2018. 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 the manufacturing and trading of plastic moulds and plastic and electronic accessories for Southchina.
- (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 operates.
- (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.

The values assigned to the key assumptions on market development of the CGU, discount rates and purchase price inflation are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

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## 19. INVESTMENTS IN ASSOCIATES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>47,216</b>	37,324

Particulars of the associates are as follows:

Name	Particulars of issued shares held/ registered capital contributed	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Yichun Yilian Print Tech Co., Ltd. ("Yichun Yilian")	Contributed RMB14,700,000 as registered capital	PRC/Mainland China	40.40%	Manufacturing of printers and accessory products and provision of printing service
P2 Mobile Technologies Ltd. ("P2MT")	5,778 ordinary shares	Hong Kong	21.41%	Wireless communication products and software development
lotronics Wireless Limited ("lotronics")	100 ordinary shares	Hong Kong	28.57%	Wireless communication products and software development
Good Smart Electronics Technology Limited ("Good Smart")	290 ordinary shares	Hong Kong	29.00%	Investment holding and trading

**19. INVESTMENTS IN ASSOCIATES (Continued)****(i) Yichun Yilian**

Yichun Yilian is a private limited liability company established on 7 November 2014. It is registered in Mainland China and is a technology company focusing on research, development and manufacturing of intelligent laser printers. In 2018, the Group's shareholding in Yichun Yilian has been reduced from 42.34% to 40.40% as new investments have been made in Yichun Yilian. As a result, the Group has recorded HK\$17,963,000 as gain on deemed disposal of partial interests in an associate.

The following table illustrates the summarised financial information in respect of Yichun Yilian adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Current assets	<b>200,109</b>	111,055
Non-current assets	<b>24,749</b>	26,188
Current liabilities	<b>(123,155)</b>	(60,339)
Non-current liabilities	–	–
Net assets	<b>101,703</b>	76,904
Proportion of the Group's ownership	<b>40.40%</b>	42.34%
Carrying amount of the investment	<b>41,089</b>	24,560
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>60,485</b>	54,302
Profit for the year	<b>2,675</b>	3,624
Other comprehensive loss	<b>(4,308)</b>	(960)
Total comprehensive (loss)/income for the year	<b>(1,633)</b>	2,664

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### 19. INVESTMENTS IN ASSOCIATES (Continued)

(ii) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018 HK\$'000	2017 HK\$'000
Share of the associates' loss for the year	(9,436)	(7,457)
Share of the associates' total comprehensive loss	(9,436)	(7,457)
Aggregate carrying amount of the Group's investments in the associates	<b>6,127</b>	12,764

### 20. LONG TERM RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Non-current		
Gross receivables	11,305	23,382
Less: unearned income	(2,938)	(5,578)
	<b>8,367</b>	17,804
Current		
Gross receivables	25,645	35,049
Less: unearned income	(2,323)	(2,525)
	<b>23,322</b>	32,524
Long term receivables	<b>31,689</b>	50,328

Long term receivables represent the present value of the income receivables under energy management contracts. The difference between the gross receivable and the present value of the receivable is recognised as unearned income.

**21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2018 HK\$'000	2017 HK\$'000
<b>Equity investments designated at fair value through other comprehensive income</b>		
Unlisted equity investment, at fair value Shenzhen Leaftec Limited	2,273	–
	<b>2,273</b>	–

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

**22. INVENTORIES**

	2018 HK\$'000	2017 HK\$'000
Raw materials	191,273	162,292
Work in progress	52,354	45,748
Finished goods	74,554	59,214
	<b>318,181</b>	267,254
Provision against slow-moving and obsolete inventories	<b>(11,968)</b>	(20,913)
	<b>306,213</b>	246,341

Movements in the provision against slow-moving and obsolete inventories are as follows:

	2018 HK\$'000	2017 HK\$'000
At 1 January	20,913	11,403
Amount (reversed)/provided during the year (note 7)	<b>(8,945)</b>	9,510
At 31 December	<b>11,968</b>	20,913

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### 23. TRADE RECEIVABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>247,485</b>	201,181
Impairment	<b>(1,016)</b>	(688)
	<b>246,469</b>	200,493

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 31 December 2018, the Group's largest customer accounted for approximately 19.3% of total trade receivables (31 December 2017: 20.1%). This customer has long term 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. The Group's other trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>116,906</b>	109,250
1 to 2 months	<b>77,449</b>	55,410
2 to 3 months	<b>37,841</b>	32,939
Over 3 months	<b>14,273</b>	2,894
	<b>246,469</b>	200,493

**23. TRADE RECEIVABLES (Continued)**

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of year	(688)	–
Effect of adoption of HKFRS 9	–	–
Impairment losses, net recognised (note 7)	(328)	(688)
At end of year	<b>(1,016)</b>	(688)

**Impairment under HKFRS 9 for the year ended 31 December 2018**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2018**

	Ageing			Total
	Less than 1 year	1 to 2 years	Over 3 years	
Expected credit loss rate	0.06%	25.74%	92.59%	0.41%
Gross carrying amount (HK\$'000)	245,574	1,344	567	247,485
Expected credit losses (HK\$'000)	145	346	525	1,016

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### 23. TRADE RECEIVABLES (Continued)

#### Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK\$688,000 with a carrying amount before provision of HK\$688,000.

The ageing analysis of the trade receivables as at 31 December 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	185,252	155,657
Less than 1 month past due	43,376	38,043
1 to 3 months past due	16,091	6,793
Over 3 months past due	1,750	–
	<b>246,469</b>	200,493

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

As at 31 December 2018, the Group's trade receivables of approximately HK\$0.8 million (2017: HK\$1.0 million) were pledged with banks to secure banking facilities granted to the Group (note 28(b)).

**24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Prepayments*	<b>24,100</b>	139,314
Deposits and other receivables	<b>28,426</b>	33,943
Loans to associates **	<b>24,920</b>	20,709
Due from non-controlling shareholders of a subsidiary	<b>638</b>	1,006
Due from a disposal group classified as held for sale	<b>237,965</b>	–
	<b>316,049</b>	194,972
Less: Non-current portion	<b>(13,110)</b>	(17,934)
Current portion	<b>302,939</b>	177,038

\* Prepayments also included:

- (i) prepaid fees to an independent third party for services relating to negotiation and execution of energy saving projects in the PRC, which were amortised to the cost of sales amounting to HK\$4,038,000 (2017: HK\$6,161,000); and
- (ii) prepaid fees to an independent third party for a renovation service for investment properties in the PRC, which was reclassified as a discontinued operation (31 December 2017: HK\$108,879,000).

\*\* Details of loans to associates are as follows:

- (i) the loans of HK\$4,450,000 and HK\$1,000,000 granted to P2MT bear interest at 8% per annum and 3% per annum respectively and are repayable within one year (31 December 2017: HK\$1,000,000, 3%). During the year, the interest income generated from the loans was HK\$204,000 (2017: HK\$30,000);
- (ii) the loan of HK\$7,955,000 (31 December 2017: HK\$12,048,000) granted to Yichun Yilian bears interest at 4.35% per annum and is repayable within one year. During the year, the interest income generated from the loan was HK\$618,000 (2017: HK\$251,000);
- (iii) the loan of HK\$1,745,000 (31 December 2017: HK\$1,745,000) granted to lotronics is non-interest-bearing and repayable on demand; and
- (iv) the loan of HK\$9,770,000 (31 December 2017: HK\$5,916,000) granted to Good Smart is non-interest-bearing and repayable on demand.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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### 25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	64,820	118,438
Time deposits	6,569	62,746
	<b>71,389</b>	181,184
Less: Pledged time deposits for bank and other borrowings ( <i>note 28 (b)</i> )	<b>(6,569)</b>	(8,720)
Cash and cash equivalents	<b>64,820</b>	172,464
Cash and bank balances denominated in		
– Renminbi (“RMB”)	29,719	65,250
– United States dollars (“US\$”)	28,461	66,060
– HK\$	6,564	41,040
– Other currencies	76	114
Cash and cash equivalents	<b>64,820</b>	172,464

The RMB is not freely convertible into other currencies. However, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of 3 to 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018, the Group’s fixed deposits denominated in HK\$ of approximately HK\$4.6 million (as at 31 December 2017: HK\$6.7 million) and bank deposits denominated in US\$ of approximately HK\$2 million (as at 31 December 2017: HK\$2 million) were pledged with banks to secure banking facilities granted to the Group (*note 28(b)*).

## 26. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	92,005	76,853
31 to 60 days	93,184	86,694
61 to 90 days	49,829	34,399
Over 90 days	11,422	13,943
	<b>246,440</b>	211,889

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

## 27. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK\$'000	2017 HK\$'000
Deposits received from customers		–	39,231
Receipt in advance		323	–
Contract liabilities	(a)	10,165	–
Other payables	(b)	10,275	20,961
Salary and welfare payables		32,621	30,725
Accruals		10,230	10,076
		<b>63,614</b>	100,993

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK\$'000	1 January 2018 HK\$'000
<i>Short-term advances received from customers</i>		
Sale of goods	10,165	14,278

Contract liabilities include short-term advances received to deliver industrial products.

(b) Other payables are non-interest-bearing and are due to mature within one year.

# NOTES TO FINANCIAL STATEMENTS

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## 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdraft – secured	0-1 over prime rate	On demand	4,598	0-1 over prime rate	On demand	580
Bank overdraft – unsecured	0-1 under prime rate & 2.35 over HIBOR	On demand	22,934	0-1 under prime rate & 2.35 over HIBOR	On demand	18,954
Trust receipt loans – secured	2-2.25 over HIBOR	On demand	2,453	2-2.25 over HIBOR	On demand	2,240
Bank loans – secured	1.55-3 over HIBOR	On demand	70,168	1.55-3 over HIBOR	On demand	73,924
Bank loans – unsecured	1-3.5 over HIBOR	On demand	297,468	1-3.5 over HIBOR	On demand	243,036
Current portion of long term bank loans – secured			–	6.4-8.5	2018	240,125
Finance lease payables	3.9	2019	423	3.9	2018	408
			<b>398,044</b>			<b>579,267</b>
<b>Non-current</b>						
Finance lease payables			–	3.9	2019	423
Long term bank loans – secured			–	6.4-8.5	2020	1,560,812
			–			<b>1,561,235</b>
			<b>398,044</b>			<b>2,140,502</b>

**28. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)**

(a) The Group's bank overdrafts, trust receipt loans and bank loans were due for repayment as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Analysed into:		
Bank and other loans repayable:		
Within one year	<b>332,489</b>	501,314
In the second year	<b>8,597</b>	617,117
In the third to fifth years	<b>56,535</b>	1,021,240
	<b>397,621</b>	2,139,671

The amounts due set out above are based on the scheduled repayment dates set out in the loan agreements without considering any repayment on demand clause.

Some of the banking facilities are subject to the fulfilment of covenants relating to certain financial 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 bank 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.

As at 31 December 2018, certain of the covenants under the bank loan facility agreements for bank loans with an aggregate amount of HK\$240 million were not satisfied but waivers were obtained subsequent to the end of the reporting period. The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank loans and does not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. During the year ended 31 December 2018, none of the lenders had exercised their rights to demand immediate repayment of the drawn down facilities, either at their sole discretion or due to any breach of covenants.

The carrying amounts of the Group's interest-bearing bank and other borrowings are denominated in HK\$.

## NOTES TO FINANCIAL STATEMENTS

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### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (b) The bank and other borrowings were secured by the following:
- (i) the pledge of the Group's fixed deposits denominated in HK\$ of approximately HK\$4.6 million (as at 31 December 2017: HK\$6.7 million) and bank deposits denominated in US\$ of approximately HK\$2 million (as at 31 December 2017: HK\$2 million);
  - (ii) the Group's trade receivables of HK\$0.8 million (as at 31 December 2017: HK\$1.0 million);
  - (iii) the Group's leasehold property in Hong Kong of HK\$173.5 million (as at 31 December 2017: HK\$179.6 million); and
  - (iv) the banking facilities granted to a subsidiary, Southchina, were also secured by personal guarantees given by its non-controlling shareholders.
- (c) As at 31 December 2018, the Group's total available banking facilities amounted to approximately HK\$560 million (as at 31 December 2017: HK\$2,451 million), of which approximately HK\$163 million (as at 31 December 2017: HK\$312 million) was unutilised.
- (d) The Group's finance lease liabilities were repayable as follows:

	<b>Minimum lease payments 2018 HK\$'000</b>	Minimum lease payments 2017 HK\$'000	<b>Present value of minimum lease payments 2018 HK\$'000</b>	Present value of minimum lease payments 2017 HK\$'000
Amounts payable:				
Within one year	431	431	423	408
In the second year	-	432	-	423
Total minimum finance lease payments	<b>431</b>	863	<b>423</b>	831
Future finance charges	<b>(8)</b>	(32)		
Total net finance lease payables	<b>423</b>	831		
Portion classified as current liabilities	<b>(423)</b>	(408)		
Non-current portion	-	423		

## 29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Depreciation allowance in excess of related depreciation HK\$'000	Provision HK\$'000	Total HK\$'000
At 1 January 2017	1,244	1,651	2,895
Deferred tax credited to the statement of profit or loss during the year ( <i>note 11</i> )	110	2,103	2,213
Gross deferred tax assets at 31 December 2017 and 1 January 2018	<b>1,354</b>	<b>3,754</b>	<b>5,108</b>
Deferred tax charged to the statement of profit or loss during the year ( <i>note 11</i> )	–	<b>(2,067)</b>	<b>(2,067)</b>
Gross deferred tax assets at 31 December 2018	<b>1,354</b>	<b>1,687</b>	<b>3,041</b>

### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of investment properties HK\$'000	Excess rental revenue for future recognised HK\$'000	Total HK\$'000
At 1 January 2017	1,151	–	–	1,151
Acquisition of subsidiaries	–	443,217	–	443,217
Exchange differences	–	18,997	–	18,997
Deferred tax (credited)/charged to the statement of profit or loss during the year ( <i>note 11</i> )	(573)	35,521	–	34,948
Gross deferred tax liabilities at 31 December 2017 and 1 January 2018	<b>578</b>	<b>497,735</b>	–	<b>498,313</b>
Exchange differences	–	<b>(26,929)</b>	<b>(1,644)</b>	<b>(28,573)</b>
Deferred tax charged to the statement of profit or loss during the year ( <i>note 11</i> )	<b>1,246</b>	<b>25,309</b>	<b>40,590</b>	<b>67,145</b>
Liabilities included in a discontinued operation	–	<b>(496,115)</b>	<b>(38,946)</b>	<b>(535,061)</b>
Gross deferred tax liabilities at 31 December 2018	<b>1,824</b>	–	–	<b>1,824</b>

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### 29. DEFERRED TAX (Continued)

For presentation purposes, certain deferred assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 HK\$'000	2017 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,006	4,530
Net deferred tax liabilities recognised in the consolidated statement of financial position	(789)	(497,735)

Deferred tax assets have not been recognised in respect of the following items:

	2018 HK\$'000	2017 HK\$'000 (Restated)
Tax losses	352,362	182,262

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised. Except for the estimated tax losses of HK\$278,792,000 (2017: HK\$112,294,000) expiring within five years, the remaining tax losses have no expiry.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$19,687,000 at 31 December 2018 (2017: HK\$21,611,000).

**30. SHARE CAPITAL**

	2018 HK\$'000	2017 HK\$'000
Issued and fully paid: 946,116,360 (2017: 946,116,360) ordinary shares	<b>9,461</b>	9,461

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2017	525,620,200	5,256	281,593	286,849
Issue of new shares (a)	420,496,160	4,205	(4,205)	-
At 31 December 2017 and 1 January 2018	<b>946,116,360</b>	<b>9,461</b>	<b>277,388</b>	<b>286,849</b>
At 31 December 2018	<b>946,116,360</b>	<b>9,461</b>	<b>277,388</b>	<b>286,849</b>

Note:

- (a) On 23 June 2017, the Company issued 420,496,160 bonus shares on the basis of eight bonus shares for every ten shares then existing.

**31. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 68 of the financial statements.

**Reserve fund**

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

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### 32. OPERATING LEASE ARRANGEMENTS

#### As lessee

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

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	19,258	19,845
In the second to fifth years, inclusive	22,129	27,836
After five years	2,639	3,694
	<b>44,026</b>	51,375

### 33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting year:

	2018 HK\$'000	2017 HK\$'000
Contracted, but not provided for:		
Land and buildings	1,063	5,745
Plant and machinery	298	5,916
	<b>1,361</b>	11,661

### 34. RELATED PARTY TRANSACTIONS AND BALANCES

- (1) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2018 HK\$'000	2017 HK\$'000
Sales of goods to an associate, Yichun Yilian	(i)	–	17,343
Sales of LED lighting equipment to an associate, Yichun Yilian	(ii)	23	65
Rental expenses paid to Profit Home Investments Limited	(iii)	1,800	1,800
Interest expense on a loan from a director	(iv)	400	–
Interest income from associates:			
P2 Mobile Technologies Ltd. ("P2MT")	24	204	30
Yichun Yilian	24	618	251
Loans to associates:			
Good Smart	24	9,770	5,916
Iotronics Wireless Limited ("Iotronics")	24	1,745	1,745
P2MT	24	5,450	1,000
Yichun Yilian	24	7,955	12,048
		<b>24,920</b>	<b>20,709</b>

- (i) Alltronics Tech. Mftg. Limited ("ATM"), a wholly-owned subsidiary of the Group, purchased printers and toners from a supplier in Japan and then sold them to Yichun Yilian at a markup based on the mutual agreement between the parties.
- (ii) Alltronics Energy Saving (Shenzhen) Limited, a wholly-owned subsidiary of the Group, sold LED lighting equipment to Yichun Yilian at a markup based on the mutual agreement between the parties.
- (iii) 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. The rental was determined according to the negotiation with the counterparties. This related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- (iv) ATM borrowed a loan from an executive director, Ms. Yeung Po Wah, with a principal amount of HK\$20,000,000 for 3 months from 19 September 2018 to 18 December 2018, which bore interest of an amount of HK\$400,000. The loan was repaid during the year ended 31 December 2018.

## NOTES TO FINANCIAL STATEMENTS

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### 34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (2) Compensation of key management personnel of the Group

	2018 HK\$'000	2017 HK\$'000
Fees	1,849	1,590
Salaries and other short-term employee benefits	28,151	31,910
Pension costs – defined contribution plans	252	240
Total compensation paid to key management personnel	<b>30,252</b>	33,740

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

### 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

2018	Loans and receivables HK\$'000	Total HK\$'000
<b>Financial assets</b>		
Trade receivables	246,469	246,469
Financial assets included in deposits and other receivables	64,975	64,975
Cash and cash equivalents	64,820	64,820
Pledged deposits	6,569	6,569
Long term receivables	31,689	31,689
Equity investments designated at fair value through other comprehensive income	2,273	–
	<b>416,795</b>	<b>414,522</b>

2018	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Interest-bearing bank and other borrowings	398,044
Trade and bills payables	246,440
Financial liabilities included in other payables and accruals	2,079
	<b>646,563</b>

**35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**

2017	Loans and receivables HK\$'000	Total HK\$'000
<b>Financial assets</b>		
Trade receivables	200,493	200,493
Financial assets included in deposits and other receivables	55,658	55,658
Cash and cash equivalents	172,464	172,464
Pledged deposits	8,720	8,720
Long term receivables	50,328	50,328
	487,663	487,663

2017	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Interest-bearing bank and other borrowings	2,140,502
Trade and bills payables	211,889
Financial liabilities included in other payables and accruals	40,528
	2,392,919

**36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

At 31 December 2018 and 2017, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the non-current portion of long term receivables, finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables and interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair value of the unlisted equity investments at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount for lack of marketability	30%	5% increase in multiple would result in decrease in fair value by HK\$52,000

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using significant observable inputs (Level 3) HK\$'000
Equity investments at fair value through other comprehensive	<b>2,273</b>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables, and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

**Foreign currency risk**

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 81.1% and 78.3% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale for the years ended 31 December 2018 and 2017 respectively, whilst all inventory costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>As at 31 December 2018</b>			
If HK\$ weakens against RMB	5	579	7,927
If HK\$ strengthens against RMB	(5)	(579)	(7,927)
<b>As at 31 December 2017</b>			
If HK\$ weakens against RMB	5	465	8,661
If HK\$ strengthens against RMB	(5)	(465)	(8,661)

\* Excluding retained profits

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## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### 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 interest-bearing bank and other borrowings, which were at variable rates and expose the Group to cash flow interest-rate risk.

Fixed rate interest-bearing bank and other borrowings 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 interest-bearing bank and other borrowings. Information relating to interest rates of the Group's bank balances, deposits and interest-bearing bank and other borrowings is disclosed in notes 25 and 28, respectively.

As at 31 December 2018, if interest rates on interest-bearing bank borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$3,324,000 lower/higher (2017: HK\$16,342,000 lower/higher), mainly as a result of higher/lower interest expense on interest-bearing bank borrowings.

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, and financial assets included in prepayments, other receivables and other assets, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 57.6% and 53.4% of the Group's trade receivables were due from the Group's five largest customers as at 31 December 2018 and 2017, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****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 financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) 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 28. 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.

The maturity profile of financial liabilities as at 31 December 2018 and 2017, based on the contractual undiscounted payments, is as follows:

	2018		Total HK\$'000
	Less than 1 year HK\$'000	Over 1 year HK\$'000	
Interest-bearing bank and other borrowings	336,560	66,997	403,557
Trade and bills payables	246,440	–	246,440
Financial liabilities included in other payables and accruals	2,079	–	2,079
	<b>585,079</b>	<b>66,997</b>	<b>652,076</b>
	2017		
	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Interest-bearing bank and other borrowings	582,555	1,737,953	2,320,508
Trade and bills payables	211,889	–	211,889
Financial liabilities included in other payables and accruals	40,528	–	40,528
	<b>834,972</b>	<b>1,737,953</b>	<b>2,572,925</b>

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### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management

As at 31 December 2018, the Group had net debts (being total bank and other borrowings excluding trade debts and net of cash and cash equivalents) of approximately HK\$330.8 million. The total equity was approximately HK\$579.8 million. The gearing ratio as at 31 December 2018 was approximately 57.1%. For the year ended 31 December 2017, the gearing ratio for the continuing operations (excluding borrowings of the investment properties business segment) was approximately 30.2%.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the maintaining appropriate debt and equity balance. The directors of the Company review the capital structure of the Group on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through various alternatives including the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

### 38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Changes in liabilities arising from financing activities

	Bank and other loans HK\$'000	Finance lease payables HK\$'000
At 1 January 2018	2,117,897	831
Changes from financing cash flows	5,522	(408)
Foreign exchange movement	(48,716)	–
Liability included in a discontinued operation	(1,707,067)	–
At 31 December 2018	<b>367,636</b>	<b>423</b>
	Bank and other loans HK\$'000	Finance lease payables HK\$'000
At 1 January 2017	319,705	1,837
Changes from financing cash flows	(2,744)	(1,006)
Foreign exchange movement	74,417	–
Increase arising from acquisition of subsidiaries	1,726,519	–
At 31 December 2017	<b>2,117,897</b>	<b>831</b>

**39. EVENTS AFTER THE REPORTING PERIOD**

On 20 December 2018 (after trading hours), Sino Growth Holdings Limited (as Vendor), Yingtai Holdings Limited (as Purchaser) and Luohe Yinge Industrial Group Company Limited (as Guarantor) entered into the sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Bonroy Limited, at the consideration of RMB100 million (equivalent to approximately HK\$114 million). The Guarantor has agreed to provide an irrevocable guarantee to the Vendor in respect of all the obligations and liabilities of the Purchaser pursuant to the sale and purchase agreement. Upon completion, Bonroy Limited and its subsidiaries will cease to be the subsidiaries of the Company.

Pursuant to the sale and purchase agreement, on the completion date, the Company and Alltronics Energy Saving (Shenzhen) Limited (collectively, as Creditors), Beijing Wan Heng Da Investment Company Limited (the Debtor) and the Guarantor shall enter into the debt undertaking, pursuant to which the Debtor shall undertake to repay the debt to the Creditors within one year from the completion date, and the Guarantor shall provide an irrevocable guarantee to the Creditors in respect of all the obligations and liabilities of the Debtor pursuant to the debt undertaking (the "Debt Arrangement").

On 15 January 2019 (after trading hours), the Vendor, the Purchaser and the Guarantor signed a confirmation letter, pursuant to which the Vendor, the Purchaser and the Guarantor have agreed to extend the date of the first payment of the consideration, amounting to RMB30 million or equivalent Hong Kong dollars (i.e. approximately HK\$34.2 million), from within 15 business days after signing of the sale and purchase agreement to not later than 15 April 2019.

On 27 February 2019, the Group issued a circular containing (i) very substantial disposal and connected transaction in relation to the disposal of the entire issued share capital of Bonroy Limited and (ii) discloseable and connected transaction in relation to the Debt Arrangement.

On 20 March 2019, an extraordinary general meeting of the Company was held and the disposal transaction was approved by the shareholders of the Company.

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## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	–	1,033
Investment in an associate	6,869	13,506
Amounts due from subsidiaries	404,178	304,830
Investments in subsidiaries	9,975	9,975
<b>Total non-current assets</b>	<b>421,022</b>	329,344
<b>CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	9,754	221
Cash and cash equivalents	827	27
<b>Total current assets</b>	<b>10,581</b>	248
<b>CURRENT LIABILITIES</b>		
Amount due to a subsidiary	88,051	630
Other payables	977	1,104
<b>Total current liabilities</b>	<b>89,028</b>	1,734
<b>NET CURRENT LIABILITIES</b>	<b>(78,447)</b>	(1,486)
<b>Net assets</b>	<b>342,575</b>	327,858
<b>EQUITY</b>		
Share capital	9,461	9,461
Reserves ( <i>note</i> )	333,114	318,397
<b>Total equity</b>	<b>342,575</b>	327,858

**40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)**

Note:

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2017	281,593	42	50,388	332,023
Total comprehensive income for the year	–	–	61,012	61,012
Bonus issue of shares	(4,205)	–	–	(4,205)
Interim 2017 dividend paid	–	–	(28,383)	(28,383)
Final 2016 dividend paid	–	–	(42,050)	(42,050)
At 31 December 2017 and 1 January 2018	<b>277,388</b>	<b>42</b>	<b>40,967</b>	<b>318,397</b>
Total comprehensive income for the year	–	–	<b>62,023</b>	<b>62,023</b>
Final 2017 dividend paid	–	–	<b>(47,306)</b>	<b>(47,306)</b>
At 31 December 2018	<b>277,388</b>	<b>42</b>	<b>55,684</b>	<b>333,114</b>

**41. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 28 March 2019.

## 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 2018:

	Year ended 31 December				
	2018 HK\$'000	2017 HK\$'000 (restated)	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Results</b>					
Revenue	<b>1,284,813</b>	1,275,221	1,023,550	886,305	957,451
Profit before income tax	<b>101,481</b>	146,258	98,438	59,590	61,727
Income tax expense	<b>(22,561)</b>	(29,586)	(21,848)	(15,521)	(14,881)
Profit for the year from continuing operations	<b>78,920</b>	116,672	76,590	44,069	46,846
Profit for the year from a discontinued operation	<b>28,813</b>	2,297	–	–	–
Profit for the year	<b>107,733</b>	118,969	76,590	44,069	46,846
Non-controlling interest	<b>(3,492)</b>	(7,971)	(4,832)	(2,659)	(1,614)
Profit attributable to owners of the Company	<b>104,241</b>	110,998	71,758	41,410	45,232
<b>Assets and liabilities</b>					
Total assets	<b>3,922,842</b>	3,519,401	1,089,579	729,240	556,107
Total liabilities	<b>(3,343,062)</b>	(2,970,541)	(602,928)	(367,826)	(311,013)
Total equity	<b>579,780</b>	548,860	486,651	361,414	245,094

Note:

- (1) The results of the Group for each of the two years ended 31 December 2018 and 2017 and its assets and liabilities as at 31 December 2018 and 2017 are those set out on pages 63 to 67 of this report and are presented on the basis as set out in note 2 to the consolidated financial statements.