JETE POWER HOLDINGS LIMITED
鑄能控股有限公司*

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8133

Annual Report 2015

** For identification purpose only*

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This report, for which the directors (the "Directors") of Jete Power Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Thomas Wai Yuk *(Chief Executive Officer)*
Mr. Choi Chiu Ming Jimmy *(Chairman)*

Independent Non-executive Directors
Ms. Leung Shuk Lan
Mr. Tang Yiu Wing
Mr. Wong Ka Shing

BOARD COMMITTEES

Audit Committee
Mr. Wong Ka Shing *(Chairman)*
Ms. Leung Shuk Lan
Mr. Tang Yiu Wing

Remuneration Committee
Ms. Leung Shuk Lan *(Chairman)*
Mr. Wong Ka Shing
Mr. Wong Thomas Wai Yuk

Nomination Committee
Mr. Tang Yiu Wing *(Chairman)*
Mr. Wong Ka Shing
Mr. Wong Thomas Wai Yuk

COMPANY SECRETARY

Mr. Wong Wai Leung

COMPLIANCE OFFICER

Mr. Choi Chiu Ming Jimmy

AUTHORISED REPRESENTATIVES

Mr. Choi Chiu Ming Jimmy
Mr. Wong Wai Leung

AUDITOR

SHINEWING (HK) CPA Limited

COMPLIANCE ADVISER

Kingsway Capital Limited

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Factory Unit 13A, 9th Floor
Vanta Industrial Centre
Nos. 21-33 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citibank N.A.

STOCK CODE

8133

COMPANY WEBSITE

www.jetepower.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Jete Power Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am delighted to present the first annual report of our Group to you since the listing of the shares of our Company on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 April 2015 (the "Listing").

The year 2015 was a milestone year for the Group. The shares of our Company (the "Shares") were successfully listed on the GEM of the Stock Exchange on 30 April 2015. On behalf of the Board, I would like to thank all the parties involved and our staff for their contribution to the successful listing. The Listing has strengthened our financial position and raised additional capital for our future development.

With its commitment to excellence and enterprising spirit, the Group has continued to promote its business development after the Listing. Despite the extremely challenging business environment and competition, the Group maintained a flexible and tailored sales and marketing strategy to offer its consumers with diversified and tailor-made products, which will in turn reinforce the Group's market position.

Looking ahead to 2016, the global economic environment is likely to remain challenging but our Group is positive about the prospects of the metal casting industry and will continue to focus on our core business. Our Group will continue to increase our marketing effort and enhance our production efficiency. In order to maximise the long term returns to our shareholders, our Group will also explore other potential investment opportunities in order to diversify the Group's business and create new source of revenue to the Group in the long run.

I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of our Group.

Choi Chiu Ming, Jimmy
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the manufacturing of metal casting parts and components in the PRC. The products of the Group can be categorized into four main categories: (a) pump components; (b) valve components; (c) filter components; and (d) food machinery components, which are made of stainless steel, carbon steel, bronze and/or grey iron. Our largest market is Germany. We also have customers from the PRC, Hong Kong and the United States.

On 30 April 2015, the Company was successfully listed on GEM. The proceeds received have strengthened the Group's cash flow and the Group will implement its future plans and business strategies according to the schedule set out in the Prospectus. The net proceeds will be applied towards increasing the production capacity in the Qiuchang Foundry, enhancing the marketing effort to attract new customers and strengthen the quality control system to maintain the strong customer relationship with existing customers.

It is the Group's strategy to broaden the customer base by carrying out marketing activities such as participation in industry exhibitions. In June 2015, the Group joined the ACHEMA exhibition which is the world forum for chemical engineering and process industry held in Frankfurt, Germany. The Group will continue to adopt a positive yet prudent approach in its business strategies aiming to enhance the Group's profitability and the shareholders' value in the long run.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, total revenue of the Group decreased by about 11% to approximately HK$54.33 million as compared with the corresponding period in 2014. The decrease in total revenue was mainly due to the decrease in sales volume and the depreciation of Euro against RMB as compared to the corresponding period in 2014. The decrease in sales volume was mainly due to (i) the Chinese New Year's holiday of the Company was extended from 13 days in 2014 to 24 days in 2015 and hence the factory output in February 2015 was lower than February 2014; and (ii) the decrease in orders from valve components as compared to the same period in 2014.

Cost of sales and gross profit

The key components of the Group's cost of sales comprised principally the (i) raw materials used for production of metal casting parts and components, (ii) direct labour costs and (iii) manufacturing overheads such as depreciation for plant and equipment, consumables, utilities, maintenance costs and indirect labour costs. For the year ended 31 December 2015, the cost of sales of the Group increased by about 3% to approximately HK$42.88 million as compared with the corresponding period in 2014. Such increase was mainly attributable to the net effect of (i) increase in direct labour cost and manufacturing overheads and (ii) the decrease in sales volume.

The gross profit of the Group decreased from HK$19.64 million, for the year ended 31 December 2014 to HK$11.45 million for the year ended 31 December 2015. The gross profit margin for the year decreased to approximately 21% from approximately 32% for the corresponding period of last year. Such decrease was mainly due to (i) the decrease in sales from valve components which has a relatively higher gross profit margin; (ii) the depreciation of Euro during the current period as compared with the corresponding period in 2014 and (iii) the increase in direct labour cost and manufacturing overheads.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2015 amounted to approximately HK$3.94 million, representing an approximately 20% increase as compared with the corresponding period in 2014 of approximately HK$3.27 million. Selling and distribution expenses comprised mainly packaging, delivery, customs and insurance cost incurred in relation to the sales. Such increase was mainly due to the increase in agency cost.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2015 amounted to approximately HK$19.56 million, representing an approximately 20% increase as compared with the corresponding period in 2014 of approximately HK$16.34 million. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staff, exchange loss, legal and professional fee and non-recurring expenses in relation to the listing of the Company. Such increase was mainly due to the (i) the donation during the year of HK$0.90 million and (ii) the increase in staff cost and various compliance and professional fees incurred after the listing of the Company.

Finance costs

Finance costs mainly represent the interest on bank borrowings. The decrease for the year ended 31 December 2015 was mainly due to the decrease in the bank borrowings outstanding during the period as compared with the corresponding period in 2014.

Loss for the year

Loss attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately HK$12.46 million (2014: HK$1.81 million). The increase was mainly attributable to the decrease in revenue and the increase in staff cost and various compliance and professional fees incurred after the listing of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. During the year, Group's principal sources of funds are cash generated from operations, bank borrowings and proceeds from issue of shares. The Group had cash and cash equivalents of approximately HK$15.89 million as at 31 December 2015 (31 December 2014: HK$2.18 million). As at 31 December 2015, the Group had total bank borrowings of approximately HK$5.45 million (31 December 2014: HK$5.96 million). All the bank borrowings contain a repayment on demand clause.

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio was 12.41% (31 December 2014: 18.48%), which is calculated based on the Group's total interest-bearing debt of approximately HK$5.45 million (31 December 2014: HK$5.96 million) and the Group's total equity of approximately HK$43.92 million (31 December 2014: HK$32.25 million).

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 30 April 2015 (the "Listing Date"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report. The capital of the Company only comprises of ordinary shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activity of the Group is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental matters, including air pollution, noise emissions, discharge of sewage and waste residues. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the production process in order to ensure that the it does not have a significant adverse effect on the environment and that the Group's environmental protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

As at the date of this report, no administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements may affect the substantiality of the business. The Group has allocated various resources to ensure ongoing compliance with rules and regulations.

During the year under review, there is no material non-compliance with the relevant laws and regulations in Hong Kong and the PRC by the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

CHARGE OF ASSETS

As at 31 December 2015, the Group had pledged its bank deposits of approximately HK$3.50 million (31 December 2014: HK$3.50 million) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is principally engaged in the manufacturing of metal casting parts and components in the PRC, which are exposed to certain market risks including currency risk, interest rate risk, credit risk and liquidity risk. The details are set out in note 7b "Financial risk management objectives and policies" to the consolidated financial statements.

The Group's business and profitability growth in the year under review is affected by the increase in competition in the industry and the volatility and uncertainty of macro-economic conditions in PRC, Germany and other global nations. The Group is expected to continue to be affected by the above factors. Any increased competition in the metal casting industry in the PRC could reduce the sales, prices and profit margins, and affect the operating results. Any change in the macro-economic condition may directly or indirectly affect the cost of the production and the demand for the products.

FOREIGN CURRENCY RISK

The Group mainly sells the products to customers in Germany, Hong Kong, the PRC and the United States. The Group is exposed to foreign currency risks as it receives a majority of revenue in Euro from its customers in Europe. From around 31 December 2014 to around 31 December 2015, the exchange rate of Euro against RMB decreased from around EUR1 to RMB7.51 to around EUR1 to RMB7.06. We generally have a surcharge mechanism with our customers to protect our future profitability in certain extent against the (i) fluctuation of the cost of certain raw materials; and (ii) fluctuation of the exchange rate of Euro vs RMB, or Euro vs USD, if the purchase price is to be settled by Euro. However, there is no assurance that such mechanism could protect the Group free from foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and cash equivalents and an adequate amount of committed credit facilities to settle the payables of the Group.

TITLE DEFECT RISK IN THE LEASED PROPERTIES

As mentioned in the "Business" section of the Prospectus, the Group has two foundries which are located at Danshui Town, Huiyang District, Huizhou City and Qiuchang Town, Huiyang District, Huizhou City ("Qiuchang Foundry") respectively. The owner and both the landlords of the two foundries do not possess valid collective building land use rights certificates and building ownership certificates for the foundries. As a part of the risk management plan of the Group to mitigate the risk arising from the title defect of the leased properties in the PRC, the Group has entered into a legally binding memorandum of understanding (the "MOU") with a landlord for a backup plant located at Qingyuan City, Guangdong Province, the PRC. As at date of this report, the owner of the Qiuchang Foundry is in the process of applying for the collective building land use rights of the land where the Qiuchang Foundry is located. The MOU remains valid and the backup plant was not occupied by any other party.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group did not have any significant capital commitments (31 December 2014: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 31 December 2015, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section "Future Plans and Use of Proceeds" of the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as the valuable assets of the Group. The employees of the Group are remunerated by way of salary, allowance and discretionary bonus. The Group has devised an assessment system for the employees and the Group uses the assessment result for salary reviews and promotion decisions. The Group maintains good working relationships with the employees and has not encountered any difficulty in the recruitment and retention of staff for the operations since the establishment of the business.

Customers

The Group's principal customers are the suppliers of flow control devices, electromechanical equipment, and industrial machinery and equipment. The Group believes that product quality is the key to retain long-term customers. Each step in the production procedures are controlled and monitored to ensure adherence to stringent quality standard. The Group has maintained a good and long-term relationship with its customers by providing high quality and tailor-made metal casting parts and components which are able to meet the diversified requirements of the customers from a wide spectrum of industries.

Suppliers

The Group maintain stable relationship with its suppliers who are distributors of well established metal manufacturers. Most of the suppliers have distribution points in Guangdong province and they are nearby the Qiuchang Foundry, which ensures prompt delivery and relatively lower transportation costs.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2015, the employee headcount (including Directors) of the Group was 216 (31 December 2014: 172) and the total staff costs, including directors' emoluments, amounted to approximately HK$15.51 million during the year ended 31 December 2015 (2014: HK$11.40 million). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress from the Listing Date to 31 December 2015 (the "Review Period"). Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business objectives for the Review Period	Actual Business Progress for the Review Period
(a) Increasing the production capacity of the Qiuchang Foundry	
• To continue our training for new staff	The Group has recruited new staff and provided the relevant training activities to strengthen its production capacity in the PRC
• To acquire new production machines and equipment	The Group has increased the leasehold improvement and acquired new machinery and equipment to enhance its production capacity in the PRC
(b) Increasing the marketing effort to attract new customers	
• To continue to evaluate our marketing team size	The Group has evaluated the marketing team size and considered it is sufficient for the Review Period
• To continue to organise client relationship events in Europe and the USA	The Group has continuously organised various marketing activities to promote sales and strengthen its market position
• To set up a stand at the ACHEMA exhibition in Frankfurt, Germany	The Group has joined the ACHEMA exhibition in Frankfurt, Germany held in June 2015
(c) Strengthening the quality control system to maintain our strong customer relationship with existing customers	
• To continue our training for existing staff	Relevant training activities have been provided to existing staff

USE OF PROCEEDS

The net proceeds from the Placing were approximately HK$8.6 million. During the Review Period, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus HK$'million	Actual use of proceeds during the Review Period HK$'million
Acquisition of new production machines and equipment and increase in leasehold improvement	7.3	4.4
Attendance of the ACHEMA exhibition in Frankfurt, Germany	0.4	0.3
Organisation of client relationship events in Europe and the USA	0.3	–
General working capital	0.6	0.6
Total	8.6	5.3

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the period (the "Period") from 30 April 2015, the date of listing of shares of the Company on GEM (the "Listing Date"), to the date of this report, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the board of directors of the Company (the "Board") comprises two Executive Directors and three Independent Non-executive Directors. The composition of the Board was as follows:

Executive Directors

Mr. Wong Thomas Wai Yuk *(Chief Executive Officer)*	(appointed on 24 February 2014)
Mr. Choi Chiu Ming Jimmy *(Chairman)*	(appointed on 24 February 2014)

Independent Non-executive Directors

Ms. Leung Shuk Lan	(appointed on 10 April 2015)
Mr. Tang Yiu Wing	(appointed on 10 April 2015)
Mr. Wong Ka Shing	(appointed on 10 April 2015)

The biographical details of all Directors and senior management of the Company are set out on pages 18 to 19 of this annual report. To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for establishing the strategic direction of the Company and its subsidiaries; setting objectives and business development plans; monitoring the performance of the senior management; and assuming responsibility for corporate governance. The management, under the leadership of the Chief Executive Officer, is responsible for implementing the strategies and plans established by the Board and reporting on the Company's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis by the Board.

BOARD AND GENERAL MEETINGS

During the Reporting Period, three board meetings were held. The forthcoming annual general meeting which will be held on 27 May 2016 is the first general meeting of the Company since the date of Listing.

The attendance of the respective Directors at the Board meetings are set out below:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Wong Thomas Wai Yuk	4/4
Mr. Choi Chiu Ming Jimmy	4/4
Independent Non-executive Directors	
Ms. Leung Shuk Lan	4/4
Mr. Tang Yiu Wing	4/4
Mr. Wong Ka Shing	4/4

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84 of the articles of association of the Company (the "Articles"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to article 83(3) of the Articles, any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

By virtue of article 83(3) of the Articles, Mr. Wong Thomas Wai Yuk, Mr. Choi Chiu Ming Jimmy, Ms. Leung Shuk Lan, Mr. Tang Yiu Wing and Mr. Wong Ka Shing shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Board considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the period from the Listing Date to the date of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with the code provision in A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Since 10 April 2015, Mr. Choi Chiu Ming Jimmy ("Mr. Choi") is the Chairman who provides leadership to the Board. Mr. Wong Thomas Wai Yuk ("Mr. Wong"), was appointed as the Chief Executive Officer of the Company and his role is to oversee the general management and daily operations of the Group.

BOARD COMMITTEES

The Board has established, with written terms of reference, three board committees, namely audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in line with the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company, respectively.

AUDIT COMMITTEE

The Company has established an audit committee on 10 April 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The audit committee consists of 3 independent non-executive Directors, namely, Mr. Wong Ka Shing, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Ms. Leung Shuk Lan and Mr. Tang Yiu Wing.

The primary duties of the audit committee are (but without limitation) to assist the Board in providing an independent view of the effectiveness of our Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Three Audit Committee meetings were held during the Listing Period. Details of the attendance of members of the Audit Committee meeting are as follows:

Members	Attendance/ Number of meetings
Mr. Wong Ka Shing	3/3
Ms. Leung Shuk Lan	3/3
Mr. Tang Yiu Wing	3/3

REMUNERATION COMMITTEE

The Company established a remuneration committee on 10 April 2015 with written terms of reference in compliance with code provision B.1 of the CG Code. The remuneration committee consists of 3 members, the majority of whom are independent non-executive Directors, namely Ms. Leung Shuk Lan, who serves as the chairman of the remuneration committee, Mr. Wong Thomas Wai Yuk and Mr. Wong Ka Shing.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

No Remuneration Committee meeting was held from the Date of Listing to 31 December 2015. The first remuneration committee meeting was held on 2 February 2016 for, inter alia, reviewing the policy and structure for all remuneration of Directors. All the members of the remuneration committee had attended that meeting.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

NOMINATION COMMITTEE

The Company established a nomination committee on 10 April 2015 with written terms of reference in compliance with code provision A.5 of the CG Code. The nomination committee consists of 3 members, the majority of whom are independent non-executive Directors, namely Mr. Tang Yiu Wing, who serves as the chairman of the nomination committee, Mr. Wong Thomas Wai Yuk and Mr. Wong Ka Shing.

The primary function of the nomination committee includes making recommendations to the Board to fill vacancies on the same, assessing the independence of independent non-executive Directors and reviewing of the structure, size and composition of the Board.

No Nomination Committee meeting was held from the Date of Listing to 31 December 2015. The first nomination committee meeting was held on 2 February 2016 for, inter alia, reviewing the structure, size and composition of the Board and board diversity policy. All the members of the nomination committee had attended that meeting.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance. Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including (but not limited to) gender, regional and industry experience, skills, knowledge and educational background.

The Board will consider to set measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives. The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. All Directors attended a formal directors training session conducted by D.S. Cheung & Co. prior to the listing of the Company. The training session covered topics including the GEM Listing Rules, the CG Code and the disclosure of inside information. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to all Directors to develop and refresh the Directors' knowledge and skills. The Group, together with its compliance adviser, continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledges their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2015 set out in this annual report.

AUDITOR'S REMUNERATION

Apart from provision of annual audit services for the year ended 31 December 2015, SHINEWING (HK) CPA Limited, the Company's auditor, was also the reporting accountant of the Company in relation to the listing of the Company.

For the year ended 31 December 2015, the remuneration paid or payable to SHINEWING (HK) CPA Limited and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable HK$'000
Audit services (including statutory audit and reporting accountant services)	1,225
Non-audit services	202
	1,427

INTERNAL CONTROL & RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Board has reviewed the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company accounting and financial reporting function for the year ended 31 December 2015. Furthermore, the Board has engaged an independent internal control adviser to review the effectiveness of internal control system of the Group and no material internal control fallings, weaknesses or deficiencies have been identified during the course of the review. Based on the above, the Board considered that the existing internal control structure and measures are sufficient.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a re gular basis, information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circular, notices, and other announcements.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman of the Board and other members of the respective committees are available to answer questions at the general meeting of the Shareholders. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintains a website at http://www.jetepower.com where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposal at general meetings

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 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.

Article 85 of the Articles provides that no person other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail to the principal office of the Company in Hong Kong. The Company Secretary forwards communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Chief Executive Officer.

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

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Wong Wai Leung, a member of The Hong Kong Institute of Certified Public Accountants, and an associate member of The Hong Kong Institute of Chartered Secretaries. During the year ended 31 December 2015, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Thomas Wai Yuk, aged 53, the founder of our Group, was appointed as a Director on 24 February 2014 and redesignated as an executive Director on 10 April 2015. Mr. Wong was also appointed as the chief executive officer of our Group on 10 April 2015. Mr. Wong is also a director of various subsidiaries of the Company. Mr. Wong obtained a Higher Diploma in Mechanical Engineering from Hong Kong Polytechnic in November 1984. Mr. Wong worked at Fong's National Engineering Company Limited between 1987 and 1992 as an executive in production planning section, and subsequently as an assistant manager of sales and marketing department, of that company. Mr. Wong went to Australia for study in around 1993 and obtained a Bachelor of Manufacturing Management from University of Technology, Sydney in April 1996. Mr. Wong was appointed as a director of Tycon Alloy Industries (Hong Kong) Company Limited and Tycon Alloy Industries (Shenzhen) Company Limited, both of which were the then subsidiaries of Fong's National Engineering Company Limited, in 1996. Mr. Wong resigned his directorships and ceased his employment with Fong's National Engineering Company Limited in the early 2003.

Mr. Wong has over 28 years of experience in the metal casting industry in the PRC.

Mr. Choi Chiu Ming Jimmy, aged 62, was appointed as a Director on 24 February 2014 and redesignated as the Chairman of the Board, the compliance officer of the Company and executive Director on 10 April 2015. Mr. Choi is also a director of various subsidiaries of the Company. Prior to joining our Group, Mr. Choi had worked in the then Royal Hong Kong Auxiliary Air Force (now retitled as "Government Flying Service") for about 27 years and retired in 2008 at the position of Senior Aircrewman Officer. During his tenure, Mr. Choi had been seconded to Security Bureau as Assistant Secretary for Security between 2000 and 2001 and had attended various professional and management training courses, such as Senior Command Course (Hong Kong Police) ,Senior Staff Course (Hong Kong Government) and Intermediate Command and Staff Course provided by the Royal Air Force Staff College, the United Kingdom. In particular, Mr. Choi obtained the Certificate of Qualified Crewman Instructor from the Central Flying School, Royal Air Force, the United Kingdom in December 1987.

Mr. Choi has over 27 years of experience in the management level of disciplinary force in Hong Kong and was awarded a number of honorary commendations, including Government Flying Service Medal for Meritorious Service (G.M.S.M.) in 2002; and Medal of Bravery (Bronze) (M.B.B.) in 2004. Mr. Choi has been serving as the General Manager of China Financial Leasing Group Limited (listed on the Stock Exchange, stock code: 2312) since January 2014. Mr. Choi was also a non-executive director of Opes Asia Development Limited (listed on the Stock Exchange, stock code: 810) from December 2013 to May 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Leung Shuk Lan, aged 58, was appointed as an independent non-executive Director of our Group on 10 April 2015.

Ms. Leung had been the chairman of the executive committee of the Professional Insurance Brokers Association from 2008 to 2011. Ms. Leung is currently the chief executive of K U M Insurance Brokers Limited and Charter Management Company. Ms. Leung has accumulated over 30 years of experience in the Hong Kong insurance industry. Ms. Leung has also been an independent non-executive director of Long Success International (Holdings) Limited (listed on the Stock Exchange, stock code: 8017) since October 2013.

Mr. Tang Yiu Wing, aged 49, was appointed as an independent non-executive Director of our Group on 10 April 2015. Mr. Tang obtained a Bachelor of Laws in November 1988 and a Postgraduate Certificate in Laws in June 1989 from the University of Hong Kong and a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong in November 1999.

Mr. Tang is a member of the Law Society of Hong Kong and a practicing solicitor in Hong Kong and a Partner and the founder of Ivan Tang & Co. Mr. Tang was admitted as a solicitor of the Supreme Court of England and Wales in November 1993.

Mr. Tang has been an independent non-executive director of Goldin Financial Holdings Limited (listed on the Stock Exchange, stock code: 530) since September 2006. Mr. Tang was also a non-executive director of China Financial Leasing Group Limited (listed on the Stock Exchange, stock Code: 2312) from January 2014 to June 2014.

Mr. Wong Ka Shing, aged 37, was appointed as an independent non-executive Director of our Group on 10 April 2015. Mr. Wong holds a Bachelor of Arts (Hon) degree in Accounting and Finance from The Leeds Metropolitan University. Mr. Wong is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Wong has accumulated over 14 years of auditing, taxation and financial management related experience from accounting firms and listed group. Mr. Wong has been an independent non-executive director of Long Success International (Holdings) Limited (listed on the Stock Exchange, stock code: 8017) since October 2013.

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 February 2014 under the Companies Law of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company (the "Listing") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 23 April 2015 (the "Prospectus"). The Company's shares were listed on GEM on 30 April 2015 (the "Listing Date").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 33 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 10 of this annual report. This discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income. The Board does not recommend the payment of a dividend for the year ended 31 December 2015.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2015 are set out in note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements.

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.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the year ended 31 December 2015, is set out on page 76 of the annual report. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, save as disclosed in the Prospectus, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted pursuant to the written resolutions of the Shareholders passed on 10 April 2015 (the "Adoption Date"). The following is a summary of the principal terms and conditions of the Share Option Scheme.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants (as defined below) for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

(b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part time), director, consultant or adviser of the Group, or any shareholder of the Group, or supplier, customer, business partner or service provider of the Group.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 70,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report).

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

(e) Term of subscription of Shares upon exercise of the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within twenty one days from the date on which the option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the subscription price

The subscription price of a share of the Company (the "Share") in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(i) Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten year commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the year.

DIRECTORS

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

Executive Directors	
Mr. Wong Thomas Wai Yuk	(appointed on 24 February 2014)
Mr. Choi Chiu Ming Jimmy	(appointed on 24 February 2014)

Independent Non-executive Directors	
Ms. Leung Shuk Lan	(appointed on 10 April 2015)
Mr. Tang Yiu Wing	(appointed on 10 April 2015)
Mr. Wong Ka Shing	(appointed on 10 April 2015)

By virtue of article 83(3) of the articles of association of the Company, Mr. Wong Thomas Wai Yuk, Mr. Choi Chiu Ming Jimmy, Ms. Leung Shuk Lan, Mr. Tang Yiu Wing and Mr. Wong Ka Shing shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Board considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than three months' notice in writing served by either party on the other.

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 within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are recommended by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, to the Board for determination.

Details of the Directors' remuneration and the five highest paid individuals are set out in note 14 and 15 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance to which the company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the company 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 18 to 19 of the annual report.

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

As at 31 December 2015, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions in shares of the Company:

Name of Director	Capacity	Number of shares held	Percentage of the Company's issued share capital
Mr. Wong Thomas Wai Yuk ("Mr. Wong")	Interest of a controlled corporation	265,000,000 (Note 1)	37.86%
Mr. Choi Chiu Ming Jimmy ("Mr. Choi")	Interest of a controlled corporation	36,300,000 (Note 2)	5.18%

Long positions in shares of associated corporation:

Name of Director	Name of associated corporation	Capacity	Percentage of the associated corporation's issued share capital
Mr. Wong	Pure Goal Holdings Limited ("Pure Goal")	Directly beneficially owned (Note 1)	100%
Mr. Choi	Bravo Luck Limited ("Bravo Luck")	Directly beneficially owned (Note 2)	100%

Notes:

1. These 265,000,000 shares are held by Pure Goal, which in turn is wholly and beneficially owned by Mr. Wong Thomas Wai Yuk. As such, Mr. Wong is deemed under the SFO to be interested in these 265,000,000 shares held by Pure Goal.

2. These 36,300,000 shares are held by Bravo Luck, which in turn is wholly and beneficially owned by Mr. Choi. As such, Mr. Choi is deemed under the SFO to be interested in these 36,300,000 shares held by Bravo Luck.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 December 2015, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

Name	Note	Nature of interests	Number of shares held	Percentage of the Company's issued share capital
Pure Goal	1	Beneficial interest	265,000,000	37.86%
Well Gainer Limited	2	Beneficial interest	128,700,000	18.38%
Bravo Luck	3	Beneficial interest	36,300,000	5.18%
Mr. Chung Tsai Kin	2	Interest of a controlled corporation	128,700,000	18.38%
Mr. Fang Jinhuo		Personal interest	39,000,000	5.57%
Ms. Yip Siu Yin	4	Interest of spouse	265,000,000	37.86%
Ms. Cheung Po Yuet	5	Interest of spouse	128,700,000	18.38%
Ms. Chan Suk Ha	6	Interest of spouse	36,300,000	5.18%

Notes:

1. Pure Goal is wholly-owned by Mr. Wong.

2. Well Gainer Limited is wholly-owned by Mr. Chung Tsai Kin.

3. Bravo Luck is wholly-owned by Mr. Choi.

4. Ms. Yip Siu Yin is the spouse of Mr. Wong. Under the SFO, Ms. Yip Siu Yin is deemed under the SFO, to be interested in all the shares in which Mr. Wong is interested.

5. Ms. Cheung Po Yuet is the spouse of Mr. Chung Tsai Kin. Under the SFO, Ms. Cheung Po Yuet is deemed under the SFO, to be interested in all the shares in which Mr. Chung Tsai Kin is interested.

6. Ms. Chan Suk Ha is the spouse of Mr. Choi. Under the SFO, Ms. Chan Suk Ha is deemed under the SFO, to be interested in all the shares in which Mr. Choi is interested.

Save as disclosed above, as at 31 December 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

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.

CHARITABLE DONATIONS

Charitable donations made by the Group for the year amounted to HK$900,000.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2015, sales to the Group's five largest customers accounted for 75.3% of the total sales for the year and sales to the largest customer included therein amounted to 34.0%. Purchases from the Group's five largest suppliers accounted for 64.6% of the total purchases for the year and purchase from the largest supplier included therein amounted to 30.8%.

Save as disclosed, 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 an interest in these major suppliers or customers.

MATERIAL RELATED PARTY TRANSACTION

The material related party transactions in relation to the key management personnel remuneration as disclosed in note 14 to the financial statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.93 of the GEM Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 29 to the financial statements were either discontinued before Listing on 30 April 2015, or did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2015, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The proceeds from the Company's issue of 150,000,000 new shares (the "Placing") at the time of the Listing amounted to approximately HK$8.6 million, net of underwriting fees and other related expenses.

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds. The Company intends to apply the net proceeds from the Placing in the manner consistent with that stated under the section headed "Future plans and use of proceeds from the Placing" of the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float required by the GEM Listing Rules as at the date of this report.

COMPLIANCE ADVISER'S INTERESTS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited ("Kingsway") to be the compliance adviser. Kingsway, being the sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for under the underwriting agreement relating to the Placing, neither Kingsway nor any of its associates and none of the directors or employees of Kingsway who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the Placing, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

The compliance adviser's appointment is for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of its annual report of the financial results for the second full financial year commencing after the Listing Date, i.e. for the year ending 31 December 2017, or until the compliance adviser agreement is terminated, whichever is earlier.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance with the non-competition undertaking given by each of Mr. Wong Thomas Wai Yuk and Pure Goal Holdings Limited, the controlling shareholders of the Company (collectively, the "Covenantors") in favour of the Company dated 22 April 2015 (the "Non-Competition Deed"). The Covenantors have confirmed to the Company that each of the Covenantors and his/its associates have not breached the terms of the undertakings contained in the Non-Competition Deed. The independent non-executive Directors were not aware of any non-compliance with the Non-Competition Deed by the Covenantors since the effective date of the Non-Competition Deed and up to the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 11 to 17 of the annual report.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2015 and up to the date of this report.

AUDITOR

The financial statements for the year ended 31 December 2015 were audited by SHINEWING (HK) CPA Limited, who was appointed by the Directors as the first auditor of the Company will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company.

On behalf of the Board
Jete Power Holdings Limited

Choi Chiu Ming Jimmy
Chairman

Hong Kong, 30 March 2016

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

To the shareholders of Jete Power Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jete Power Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 75, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	8	**54,328**	61,194
Cost of sales		**(42,878)**	(41,552)
Gross profit		**11,450**	19,642
Other income	10	**123**	90
Selling and distribution expenses		**(3,941)**	(3,271)
Administrative expenses		**(19,563)**	(16,338)
Finance costs	11	**(332)**	(522)
Loss before tax		**(12,263)**	(399)
Income tax expense	12	**(196)**	(1,412)
Loss for the year attributable to the owners of the Company	13	**(12,459)**	(1,811)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(1,294)**	(717)
Total comprehensive expense for the year attributable to the owners of the Company		**(13,753)**	(2,528)
Loss per share	17	**HK cents**	HK cents
Basic		**(1.91)**	(0.33)
Diluted		**(1.91)**	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Plant and equipment	18	**15,795**	14,265
Rental deposit	20	**823**	874
		16,618	15,139
Current assets			
Inventories	19	**19,255**	18,520
Trade and other receivables, deposits and prepayments	20	**8,396**	10,760
Amount due from a shareholder	23	**–**	54
Tax recoverable		**840**	288
Pledged bank deposit	21	**3,502**	3,502
Bank balances and cash	21	**15,886**	2,183
		47,879	35,307
Current liabilities			
Trade and other payables	22	**12,669**	11,323
Income tax payables		**–**	63
Amount due to a shareholder	23	**2,459**	505
Bank borrowings	24	**5,454**	5,958
Obligation under a finance lease	25	**–**	94
		20,582	17,943
Net current assets		**27,297**	17,364
Total assets less current liabilities		**43,915**	32,503
Non-current liabilities			
Obligation under a finance lease	25	**–**	253
		–	253
		43,915	32,250
Capital and reserves			
Share capital	26	**7,000**	78
Reserves		**36,915**	32,172
		43,915	32,250

The consolidated financial statements on pages 31 to 75 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Mr. Wong Thomas Wai Yuk
Director

Mr. Choi Chiu Ming Jimmy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK$'000 (Note 26)	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000 (Note (a))	Other reserve HK$'000 (Note (b))	Retained Profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1 January 2014	54	–	5,006	(7,045)	–	23,667	21,682
Loss for the year	–	–	–	–	–	(1,811)	(1,811)
Exchange differences arising on translation of foreign operations	–	–	(717)	–	–	–	(717)
Total comprehensive expense for the year	–	–	(717)	–	–	(1,811)	(2,528)
Dividend paid (note 16)	–	–	–	–	–	(14,500)	(14,500)
Issue of new shares upon reorganisation	24	27,572	–	–	–	–	27,596
At 31 December 2014 and 1 January 2015	**78**	**27,572**	**4,289**	**(7,045)**	**–**	**7,356**	**32,250**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(12,459)**	**(12,459)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(1,294)**	**–**	**–**	**–**	**(1,294)**
Total comprehensive expense for the year	**–**	**–**	**(1,294)**	**–**	**–**	**(12,459)**	**(13,753)**
Transfer upon a group reorganisation	**(78)**	**(27,572)**	**–**	**–**	**27,650**	**–**	**–**
Issue of new shares by way of placing	**1,500**	**28,500**	**–**	**–**	**–**	**–**	**30,000**
Capitalisation issue	**5,500**	**(5,500)**	**–**	**–**	**–**	**–**	**–**
Share issue expenses	**–**	**(4,582)**	**–**	**–**	**–**	**–**	**(4,582)**
At 31 December 2015	**7,000**	**18,418**	**2,995**	**(7,045)**	**27,650**	**(5,103)**	**43,915**

Note (a):

Capital reserve of the Group represents the difference between the nominal value of the 47% issued capital of a subsidiary, G. Force (Hong Kong), held by Mr. Wong Thomas Wai Yuk, the ultimate controlling shareholder of the Group, acquired pursuant to the reorganisation, which is described in Note 1.2, and the consideration for acquiring 47% of the issued capital of the subsidiary from Mr. Wong Thomas Wai Yuk.

Note (b):

Other reserve represented the difference between the nominal amount of the share capital and share premium of XETron Group Limited and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(12,263)**	(399)
Adjustments for:		
Depreciation of plant and equipment	**1,949**	1,504
Loss on disposal of plant and equipment	**–**	77
Finance costs	**332**	522
Changes in fair value of derivative financial instruments	**–**	(8)
Bank interest income	**(4)**	(4)
Operating cash (outflow) inflow before movements in working capital	**(9,986)**	1,692
(Increase) decrease in inventories	**(1,599)**	3,063
Decrease in trade and other receivables, deposits and prepayments	**2,173**	1,596
Increase (decrease) in trade and other payables	**1,941**	(2,487)
Cash (used in) generated from operations	**(7,471)**	3,864
Income tax paid	**(811)**	(2,131)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(8,282)**	1,733
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(4,385)**	(3,765)
Placement of pledged bank deposit	**–**	(2,502)
Settlement for derivative financial instruments	**–**	38
Proceeds from disposal of plant and equipment	**–**	14
Bank interest income received	**4**	4
NET CASH USED IN INVESTING ACTIVITIES	**(4,381)**	(6,211)

	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES		
New borrowings raised	13,173	10,593
Proceeds from initial public offering	30,000	–
Payment for initial public offering expenses	(4,582)	–
Advance from a shareholder	2,137	26
Repayment of bank borrowings	(13,677)	(10,833)
Interest paid	(325)	(522)
Repayment of obligation under a finance lease	(347)	(88)
Dividend paid	–	(14,500)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	26,379	(15,324)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,716	(19,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,183	22,009
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(13)	(24)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	15,886	2,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. Corporate information and reorganisation

1.1 General information of the Group

The Company was incorporated in the Cayman Islands on 24 February 2014 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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Factory Unit 13A, 9th Floor, Vanta Industrial Centre, Nos. 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 April 2015 ("the Listing").

The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in manufacturing and trading of cast metal products (the "Business"). Prior to the completion of the reorganisation as described in Note 1.2 below (the "Reorganisation"), the Business was principally operated through G. Force (Hong Kong) Limited ("G. Force (Hong Kong)") and KTech Industrial Technology (Huizhou) Limited ("KTech (Huizhou)") and the Business was ultimately controlled by Mr. Wong Thomas Wai Yuk ("Mr. Thomas Wong" or the "Controlling Shareholder").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than major subsidiaries, G. Force (Hong Kong) and KTech (Huizhou), of which the functional currency is United States dollars ("USD") and Renminbi ("RMB") respectively, the functional currency of the Company and other subsidiaries is HK$.

1.2 Reorganisation

The Group underwent the following Reorganisation steps in preparation for the Listing during the year.

The Group underwent a series of transactions to transfer the companies engaged in manufacturing and trading of cast metal products which were controlled by Mr. Thomas Wong, to the Company. Detailed procedures of the Reorganisation are as follows:

(i) The Company was incorporated on 24 February 2014 which was ultimately owned by Pure Goal Holdings Limited ("Pure Goal").

(ii) On 10 April 2015, Pure Goal, Well Gainer Limited ("Well Gainer") and Bravo Luck Limited ("Bravo Luck") agreed to transfer the entire issued share capital in XETron Group Limited to the Company in consideration of and in exchange for 6,999 Shares to Pure Goal, 2,337 Shares to Well Gainer, and 663 Shares to Bravo Luck credited as fully paid, respectively.

Immediately after completion of the share transfer, the Company became the holding company of the Group.

(iii) On 30 April 2015, the shares of the Company became listed on the Stock Exchange, where 150,000,000 new ordinary shares of HK$0.01 each were issued to the public by way of placing at a price of HK$0.20 per share.

(iv) On 30 April 2015, the Company capitalised HK$5,500,000 by debiting the share premium account of the Company and applied such sum to pay up in full at par a total of 549,990,000 shares for allotment and issue to the shareholders in proportion to their respectively shareholdings.

2. Basis of preparation of financial information

The Group comprising the Company and its subsidiaries controlled by Mr. Thomas Wong is regarded as a continuing entity. Accordingly, the financial statements have been prepared on a combined basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the current group structure had been in existence at the beginning of the year ended 31 December 2014 as set out in the accounting policy of the Company under "Merger accounting for business combination involving entities under common control" in note 4.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2014 and 2015 or since their respective dates of incorporation, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied all the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2015.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective date not yet determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as *at fair value through profit or loss, HKFRS 9 (2014)* requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

4. Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. Significant accounting policies (Continued)

Basis of consolidation (Continued)

The Company 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 listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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 combination.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. Significant accounting policies (Continued)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, and short-term deposits as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, trade and other receivables, deposits and prepayments, amount due from a shareholder, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

4. Significant accounting policies (Continued)

Financial instruments (Continued)
Financial assets (Continued)
Impairment of financial assets (Continued)
For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30–60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a shareholder, bank borrowings and obligation under a finance lease are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Significant accounting policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

Payments to the state-managed retirement benefit schemes or the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy of borrowing costs below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

4. Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “loss before tax” as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

Useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amounts of plant and equipment as at 31 December 2015 was approximately HK$15,795,000 (2014: HK$14,265,000).

Impairment of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2015, the carrying amount of trade receivables was approximately HK$5,412,000 (2014: HK$7,415,000) while the carrying amount of other receivables was approximately HK$3,807,000 (2014: HK$4,219,000). No impairment loss was recognised in respect of the Group's trade and other receivables as at 31 December 2015 (2014: Nil).

Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and judgements on the conditions and usefulness of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 December 2015, the carrying amount of inventories was approximately HK$19,255,000 (2014: HK$18,520,000), no allowance was recognised in respect of inventories for both years.

6. Capital risk management

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 optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and amount due to a shareholder, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company regularly review and manage the Group's capital structure. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue, raising of new borrowings or repayment of existing borrowings.

7. Financial instruments

a) Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**26,034**	14,383
Financial liabilities		
Financial liabilities at amortised cost	**18,621**	16,943

b) Financial risk management objectives and policies

The Group's major financial instruments include rental deposit, trade and other receivables, deposits and prepayments, amount due from a shareholder, pledged bank deposit, bank balances and cash, trade and other payables, amount due to a shareholder, bank borrowings and obligation under a finance lease.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. Financial instruments (Continued)

b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The functional currencies of the Group's major operating subsidiaries are USD and RMB. The Group's major operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure to foreign currency risk relates principally to its receivables, bank balances, payables and bank borrowings denominated in foreign currencies other than the functional currency of relevant group entity.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the end of the reporting periods are as follows:

	2015		2014	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
EUR	**1,948**	**1,258**	3,166	758
HK$	**4,025**	**4,028**	5,050	2,824
	5,973	**5,286**	8,216	3,582

No sensitivity analysis was prepared for HK$ as the monetary assets and liabilities denominated in HK$ is in the group entity with functional currency of USD and HK$ is pegged to USD.

7. Financial instruments (Continued)

b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The following table details the Group's sensitivity to a 5% decrease/increase in the exchange rate of the functional currency of the relevant group entities against EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	Decrease (increase) %	Decrease (increase) in loss after tax HK$'000
At 31 December 2015		
Weakens against EUR	**(5)**	**29**
Strengthens against EUR	**5**	**(29)**
At 31 December 2014		
Weakens against EUR	(5)	101
Strengthens against EUR	5	(101)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligation under a finance lease (note 25). The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (note 21) and variable-rate bank borrowings (note 24). To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances and variable-rate bank borrowings.

7. Financial instruments (Continued)

b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would decrease/increase by approximately HK$106,000 (2014: increase/decrease by approximately HK$41,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and variable-rate bank borrowings.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit quality of counterparty in respect of amount due from a shareholder is assessed by taking into account its financial position and other factors. The directors of the Company are of the opinion that the risk of default by the counterparty is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

The Group's concentration of credit risk by geographical location is in Germany, which accounted for 37% (2014: 45%) of the total trade receivables as at 31 December 2015.

The Group has concentration of credit risk as 7% (2014: 27%) and 63% (2014: 78%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

7. Financial instruments (Continued)

b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity risk tables

	On demand or within one year HK$'000	Between two to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2015				
Trade and other payables	10,708	–	10,708	10,708
Amount due to a shareholder	2,459	–	2,459	2,459
Bank borrowings	5,524	–	5,524	5,454
	18,691	–	18,691	18,621

7. Financial instruments (Continued)

b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables (Continued)

	On demand or within one year HK$'000	Between two to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2014				
Trade and other payables	10,133	–	10,133	10,133
Amount due to a shareholder	505	–	505	505
Bank borrowings	6,165	–	6,165	5,958
Obligation under a finance lease	112	269	381	347
	16,915	269	17,184	16,943

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these bank loans amounted to HK$459,000 (2014: HK$1,522,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 1 to 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$465,000 for the year ended 31 December 2015 (2014: HK$1,580,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c) Fair value measurements recognised in the consolidated statement of financial position

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

8. Revenue

Revenue represents the amounts received and receivable from cast metal products sold in the normal course of business, net of cash discount and sales related taxes.

9. Segment information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: Manufacturing and sales of cast metal products. The directors of the Company monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and results; and segment assets and liabilities are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position respectively.

Information about geographical areas

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

For the year ended 31 December 2015

	Revenue HK$'000	Non-current assets HK$'000
Germany	**42,790**	**–**
Hong Kong	**5,547**	**294**
The PRC	**2,555**	**15,501**
The United States	**1,325**	**–**
Others	**2,111**	**–**
	54,328	**15,795**

For the year ended 31 December 2014

	Revenue HK$'000	Non-current assets HK$'000
Germany	43,211	–
Hong Kong	10,302	403
The PRC	3,065	13,862
The United States	2,186	–
Others	2,430	–
	61,194	14,265

Note: Non-current assets excluded financial instruments.

9. Segment information (Continued)

Information about major customers

Details of the customer accounting for 10% or more of aggregate revenue of the Group for the years ended 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
Customer A	18,467	17,546
Customer B	12,527	13,078
Customer C	N/A[1]	7,925

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

10. Other income

	2015 HK$'000	2014 HK$'000
Bank interest income	4	4
Changes in fair value of derivative financial instruments	–	8
Government grants	12	–
Sundry income	107	78
	123	90

11. Finance costs

	2015 HK$'000	2014 HK$'000
Interest on:		
– Bank borrowings	307	499
– Finance lease	25	23
	332	522

12. Income tax expense

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong Profits Tax ("HK Profits Tax")	–	1,314
PRC Enterprise Income Tax ("EIT")	156	98
	156	1,412
Under-provision in prior years:		
PRC Enterprise Income Tax ("EIT")	40	–
	196	1,412

(i) HK Profits Tax is calculated at 16.5% on the estimated assessable profits for 2014. No provision for HK Profits Tax has been made in the consolidated financial statement as the Company did not have assessable profits subject to HK Profits Tax for 2015.

(ii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of the subsidiary established in the PRC is 25% for both years.

(iii) As at 31 December 2015, the aggregate amount of temporary differences associated with the PRC subsidiary's undistributed retained earnings for which deferred tax liabilities has not been recognised is approximately HK$101,000 (2014: HK$86,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of the subsidiary and it is probable that such differences will not be reversed in the foreseeable future.

The income tax expense for the years ended 31 December 2015 and 2014 can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	(12,263)	(399)
Tax calculated at tax rate of 16.5%	(2,023)	(66)
Tax effect of expenses not deductible for tax purpose	2,366	1,445
Tax effect of income not taxable for tax purpose	(251)	–
Under provision in prior years	40	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	64	33
Income tax expense	196	1,412

13. Loss for the year

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 14)	1,883	1,217
Salaries, wages and other benefits	12,591	9,178
Contribution to defined contribution retirement benefits scheme (excluding directors of the Company) (note 28)	1,037	1,004
	15,511	11,399
Auditor's remuneration	450	300
Professional expenses incurred in connection with the Company's listing	5,585	8,230
Cost of inventories recognised as expense	42,878	41,552
Depreciation of plant and equipment	1,949	1,504
Loss on disposal of plant and equipment	–	77
Net exchange loss	700	789
Operating lease charges in respect of properties	1,614	1,617

14. Directors' emoluments

Details of directors' emoluments are as follows:

Year ended 31 December 2015

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance and discretionary bonus HK$'000	Contribution to defined contribution retirement benefits scheme HK$'000	Total HK$'000
Executive directors					
Wong Thomas Wai Yuk	133	1,200	–	18	1,351
Choi Chiu Ming Jimmy	133	–	–	–	133
	266	1,200	–	18	1,484
Independent non-executive directors					
Leung Shuk Lan	133	–	–	–	133
Tang Yiu Wing	133	–	–	–	133
Wong Ka Shing	133	–	–	–	133
	399	–	–	–	399
Total	665	1,200	–	18	1,883

14. Directors' emoluments (Continued)

Year ended 31 December 2014

	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance and discretionary bonus HK$'000	Contribution to defined contribution retirement benefits scheme HK$'000	Total HK$'000
Executive directors					
Wong Thomas Wai Yuk	–	1,200	–	17	1,217
Choi Chiu Ming Jimmy	–	–	–	–	–
	–	1,200	–	17	1,217

The amounts above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

Mr. Thomas Wong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2015 (2014: Nil). No emoluments were paid by the Group to the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2015 (2014: Nil).

15. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2014: one) was director of the Company whose emolument is included in note 14 above. The emoluments of the remaining four, individuals, for the year ended 31 December 2015 (2014: four) was as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances, and other benefits	1,212	1,024
Contribution to defined contribution retirement benefits scheme	77	48
	1,289	1,072

Their emoluments fell within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	4	4

No emoluments have been paid to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2015 and 31 December 2014.

16. Dividend

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: HK$14,500,000).

17. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2015 HK$'000	2014 HK$'000
Loss for the purpose of basic and diluted loss per share: Loss for the year attributable to owners of the Company	**12,459**	1,811
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (Note (a))	**651,095,890**	550,000,000

Note (a) The weighted average number of ordinary shares for the purposes of basic loss per share for the years ended 31 December 2015 and 2014 has been retrospectively adjusted for the effects of the issue and capitalisation of the ordinary shares of the company which took place as reorganisation for the preparation for the company's listing.

Note (b) No adjustment has been made to the basis loss per share amount for the years ended 31 December 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

18. Plant and equipment

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2014	3,385	11,737	398	677	16,197
Additions	1,871	1,579	315	–	3,765
Disposals	–	(1,100)	–	–	(1,100)
Exchange realignment	(97)	(297)	(12)	(5)	(411)
At 31 December 2014	5,159	11,919	701	672	18,451
Additions	3,649	736	–	–	4,385
Exchange realignment	(453)	(718)	(39)	(10)	(1,220)
At 31 December 2015	8,355	11,937	662	662	21,616
ACCUMULATED DEPRECIATION					
At 1 January 2014	–	3,453	185	149	3,787
Charge for the year	238	1,056	96	114	1,504
Disposal	–	(1,009)	–	–	(1,009)
Exchange realignment	(2)	(86)	(5)	(3)	(96)
At 31 December 2014	236	3,414	276	260	4,186
Charge for the year	677	1,048	110	114	1,949
Exchange realignment	(43)	(242)	(20)	(9)	(314)
At 31 December 2015	870	4,220	366	365	5,821
CARRYING VALUES					
At 31 December 2015	7,485	7,717	296	297	15,795
At 31 December 2014	4,923	8,505	425	412	14,265

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight-line method over their estimated useful lives or at the rates per annum as follows:

Leasehold improvements	Over the lease term
Plant and machinery	9%
Office equipment	10%–20%
Motor vehicles	18%–20%

A motor vehicle was held under finance lease with carrying amount of approximately HK$380,000 as at 31 December 2014 (2015: Nil).

19. Inventories

	2015 HK$'000	2014 HK$'000
Raw materials	2,279	2,923
Work-in-progress	7,891	8,719
Finished goods	9,085	6,878
	19,255	18,520

20. Trade and other receivables, deposits and prepayments

	2015 HK$'000	2014 HK$'000
Trade receivables	5,412	7,415
Other tax recoverable	1,710	1,910
Prepayments	863	1,080
Deposits and other receivables	1,234	1,229
Trade and other receivables	9,219	11,634
Less: Rental deposit shown under non-current assets	(823)	(874)
Current portion	8,396	10,760

The Group allows an average credit period of 30 to 60 days to its trade customers. The Group does not hold any collateral over its trade and other receivables. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

20. Trade and other receivables, deposits and prepayments (Continued)

	2015 HK$'000	2014 HK$'000
Within 30 days	**1,625**	4,237
31 to 60 days	**3,068**	1,379
61 to 90 days	**719**	1,628
Over 90 days	**–**	171
Total	**5,412**	7,415

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$812,000 as at 31 December 2015 (2014: HK$1,843,000) which is past due as at the reporting date for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither pass due nor impaired	**4,600**	5,572
Past due but not impaired:		
Within 30 days	**539**	1,516
31 to 60 days	**273**	327
Total	**5,412**	7,415

No allowance for doubtful debts was recognised as at 31 December 2015 and 2014. Trade receivables are individually impaired and recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

20. Trade and other receivables, deposits and prepayments (Continued)

As at 31 December 2015 and 2014, the Group's trade and other receivables, deposits and prepayments that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015	2014
	HK$'000	HK$'000
EUR	**1,847**	3,166
HK$	**52**	52

21. Pledged bank deposit and bank balances and cash

Bank balances represented short-term deposits with a maturity of three months or less. At 31 December 2015, bank balances carried at prevailing market rates of 0.001% per annum (2014: 0.01%). The pledged bank deposit carries fixed interest rate of 0.1% per annum as at 31 December 2015 (2014: 0.1%). The pledged bank deposit will be released upon the settlement of relevant bank borrowings.

Pledged bank deposit represents deposit pledged to banks to secure banking facilities granted to the Group and have been pledged to secure short-term bank borrowings and undrawn facilities and are therefore classified as current assets.

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2015	2014
	HK$'000	HK$'000
EUR	**101**	296
HK$	**3,973**	4,998

22. Trade and other payables

	2015 HK$'000	2014 HK$'000
Trade payables	6,028	5,573
Other payables	6,641	5,750
Trade and other payables	12,669	11,323

The following is an aged analysis of accounts payable presented based on invoice date at the end of the reporting period.

	2015 HK$'000	2014 HK$'000
Within 30 days	1,608	1,590
31 to 60 days	1,296	1,239
61 to 90 days	1,549	1,045
Over 90 days	1,575	1,699
Trade payables	6,028	5,573

The average credit period granted is ranging from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2015 and 2014, the Group's trade and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
RMB	14	–
EUR	806	16
HK$	338	291

23. Amount(s) due from/to a shareholder

The amount(s) due from/to a shareholder are unsecured, non-interest bearing and repayable on demand.

Included in amount(s) due from/to a shareholder are the following amounts denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
HK$	2,168	–

24. Bank borrowings

	2015 HK$'000	2014 HK$'000
Secured bank borrowings	5,454	5,958
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	4,995	4,436
After one year but within two years	459	1,063
After two years but within five years	–	459
	5,454	5,958
Carrying amount of bank borrowing that is repayable within one year	4,995	4,436
Carrying amount of borrowing that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	459	1,522
Amounts shown under current liabilities	5,454	5,958

At 31 December 2015, bank borrowings with carrying amount of approximately HK$3,932,000 (2014: HK$3,425,000) are secured by deposits with the carrying value of approximately HK$1,502,000 (2014: HK$1,502,000) as set out in note 21 and guaranteed by the corporate guarantee given by the Company. The bank borrowings with carrying amount of approximately HK$1,522,000 (2014: HK$2,533,000) are secured by deposits with carrying value of approximately HK$2,000,000 as at 31 December 2015 (2014: HK$2,000,000). The secured bank borrowings carry variable-rate interest at 1.0%–5.1% per annum for the year ended 31 December 2015 (2014: 1.0%–5.1%).

24. Bank borrowings (Continued)

As at 31 December 2015 and 2014, the Group's bank borrowings that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
EUR	452	742
HK$	1,522	2,533

25. Obligation under a finance lease

A motor vehicle of the Group is held under a finance lease. The lease term was 5 years. For the years ended 31 December 2015 and 2014, the obligation under a finance lease carried effective interest rate at 5.83% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Amounts payable under a finance lease				
Within one year	–	112	–	94
More than one year but less than two years	–	112	–	100
More than two year but less than five years	–	157	–	153
	–	381	–	347
Less: future finance charges	–	(34)	–	N/A
Present value of obligations under a finance lease	–	347	–	347
Less: amount due for settlement within twelve months (shown under current liabilities)			–	(94)
Amount due for settlement after twelve months			–	253

The Group's obligation under a finance lease is secured by the lessors' charge over the leased asset and guaranteed by Mr. Wong Thomas Wai Yuk, the director of the Company. All finance lease was early repaid during the year ended 31 December 2015.

26. Share capital

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 January	–	–
Incorporation of the Company on 24 February 2014	38,000,000	380
At 31 December 2014 and 1 January 2015	38,000,000	380
Increase in authorised share capital pursuant to written resolutions of the shareholders of the Company on 10 April 2015	962,000,000	9,620
At 31 December 2015	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2014	–	–
Issue of share upon incorporation	1	–
At 31 December 2014 and 1 January 2015	1	–
Issue of shares pursuant to a reorganisation (Note (a))	9,999	–
Issue of shares by way of placing (Note (b))	150,000,000	1,500
Capitalisation issue (Note (c))	549,990,000	5,500
At 31 December 2015	700,000,000	7,000

Note (a) Pursuant to the Share Swap Agreement dated 10 April 2015 entered into amongst Pure Goal, Well Gainer and Bravo Luck as transferors, and the Company as transferee, Pure Goal, Well Gainer and Bravo Luck agreed to transfer the entire issued share capital in XETron Group Limited to the Company in consideration of and in exchange for 6,999 shares to Pure Goal, 2,337 shares to Well Gainer, and 663 shares to Bravo Luck credited as fully paid, respectively.

Note (b) On 30 April 2015, 150,000,000 new ordinary shares of HK$0.01 each were issued to the public by way of placing at a price of HK$0.20 per share raising gross proceeds of approximately HK$30 million.

Note (c) On 30 April 2015, 549,990,000 shares were issued by way of capitalisation of share premium on the proceeds from the allotment of 150,000,000 shares stated in note (b) under the capitalisation issue as detailed in the Prospectus.

27. Operating leases

Details of the Group's commitments under non-cancellable operating lease are set out as follow:

The Group as lessee

The Group leases certain of its premises and offices under operating lease arrangements. The leases typically run for an initial period of fifteen to seventeen years. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	1,372	1,455
In the second to fifth years	5,385	5,714
Over five years	7,997	9,906
	14,754	17,075

28. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs and up to maximum of HK$1,500 from 1 June 2014 onwards (1 January 2013 to 31 May 2014: HK$1,250) for each employee to the scheme, to which the same amount of contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes certain percentage of the basic salaries of its employees to the retirement fund in accordance with the rule and regulations in the PRC.

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the years ended 31 December 2015, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$1,055,000 (2014: HK$1,021,000).

29. Related party transactions

(a) Transactions with a related party:

	2015 HK$'000	2014 HK$'000
Processing services fee:		
– 惠州市凱德精密機械有限公司 Kai-Tech Precision Machinery (Huizhou City) Limited* ("Kai-Tech Precision Machinery")	2	–
Purchase of machineries:		
– Kai-Tech Precision Machinery	–	362

* The English names are for identification purposes only.

Kai-Tech Precision Machinery is a company of which a director of a subsidiary of the Company is its controlling shareholder. The transactions were conducted in the ordinary and usual course of business at prices and terms as agreed between the transacting parties.

(b) In addition to the outstanding balances with related parties disclosed in the consolidated statements of financial position and note 23, the Group had payables to Kai-Tech Precision Machinery of approximately HK$11,000 (2014: Nil) were presented in the consolidated statement of financial position within trade and other payables as at 31 December 2015.

(c) Compensation to key management personnel

Other than the emoluments paid to the directors of the Company, who is also considered as the key management of the Group as set out in note 14, the Group did not have any other compensation to the key management personnel.

The remuneration of the directors of the Company and key executives is determined with regards to the performance of individuals.

30. Major non-cash transactions

During the year ended 31 December 2014, XETron Group Limited issued 2,337 shares and 663 shares of USD1 each to Well Gainer and Bravo Luck respectively on 2 January 2014. At the time of share issuance, the capital injected by Well Gainer and Bravo Luck amounting to HK$21,500,000 and HK$6,096,000 respectively included in trade and other payables as at 31 December 2013 were transferred to share capital of approximately HK$24,000 and share premium of approximately HK$27,572,000 on 2 January 2014.

31. Information about the statement of financial position of the Company

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investment in a subsidiary	–	–
Loan to a subsidiary	4,000	–
	4,000	–
Current assets		
Other receivables	243	–
Bank balances and cash	14,576	–
	14,819	–
Current liabilities		
Accrued expenses and other payables	675	245
Amounts due to subsidiaries	2,284	–
	2,959	245
Net current assets (liability)	11,860	(245)
Total assets less current liabilities	15,860	(245)
Capital and reserves		
Share capital	7,000	–
Reserves	8,860	(245)
Total equity (deficit)	15,860	(245)

32. Reserves of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 24 February 2014 (Date of incorporation)	–	–	–
Loss for the year and total comprehensive expense for the year	–	(245)	(245)
At 31 December 2014	–	(245)	(245)
Issue of shares	28,500	–	28,500
Capitalisation issue of shares (Note 26(c))	(5,500)	–	(5,500)
Share issue expense	(4,582)	–	(4,582)
Loss for the year and total comprehensive expense for the year	–	(9,313)	(9,313)
At 31 December 2015	18,418	(9,558)	8,860

33. Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2015	2014	2015	2014	
XETron Group Limited	BVI	Ordinary	USD10,000	100%	100%	–	–	Investment holding
XETron Enterprise Company Limited	Hong Kong	Ordinary	HKD10,000	–	–	100%	100%	Investment holding
G. Force (Hong Kong) Limited	Hong Kong	Ordinary	HKD10,000	–	–	100%	100%	Sales of casting products
KTech Industrial Technology (Huizhou) Limited	PRC	Ordinary	HKD16,000,000	–	–	100%	100%	Manufacture and sales of casting products

None of the subsidiaries had issued any debt securities at the end of both years or during both years.

FINANCIAL SUMMARY

	For the year ended 31 December		
	2015	2014	2013
	HK$'000	HK$'000	HK$'000
Results			
Revenue	**54,328**	61,194	53,114
Profit/(loss) for the year attributable to owners of the Company	**(12,459)**	(1,811)	7,809

	As at 31 December		
	2015	2014	2013
	HK$'000	HK$'000	HK$'000
Assets and liabilities			
Total assets	**64,497**	50,446	70,985
Total liabilities	**(20,582)**	(18,196)	(49,303)
Total equity	**43,915**	32,250	21,682

Note:

The summary above does not form part of the audited consolidated financial statements.

No financial statements of the Group for the years ended 31 December 2012 and 2011 have been published.

The financial information for the years ended 31 December 2014 and 2013 were extracted from the prospectus of the Company dated 23 April 2015. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2 to the consolidated financial statements.