DATRONIX HOLDINGS LIMITED
連達科技控股有限公司*

Stock Code: 889

from opportunities to achievements

Annual Report 2015

*For identification purposes only

AWARDS

ASTRONICS
"Best Value Added"

LUTRON
"Customer Service"

PHYSIO CONTROL
"Supplier of the Year"

LUTRON
"Preferred Supplier"

MEDTRONIC
"Outstanding Performance"

DATAFORTH
"Vendor of the Year"

LUTRON
"Outstanding New Supplier"

AWARDS

XICOM
"Outstanding Performance"

MICRO SYSTEMS ENGINEERING
"Special Recognition Awards"

MEDTRONIC
"Supplier of the Year"

LUTRON
"Supplier of the Year"

VICOR
"Outstanding Supplier Achievement Award"

XICOM
"President's Award"

CUSTOMER RECOGNITION FOR QUALITY, SERVICE, VALUE

Polycom

Ericsson

Milwaukee

Preferred supplier
General Electric

Physio Control
(Div. of Medtronic)

Preferred supplier
Primex Aerospace

Digital Equipment corp

Xerox

United Technologies

AWARDS

Xerox

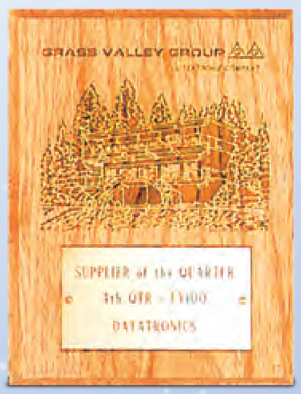
Xerox

ICL/Fujitsu

Xerox

Xerox

Xerox



Tektronix

Sola Electric

Tektronix

CUSTOMER RECOGNITION FOR QUALITY, SERVICE, VALUE

Honeywell

Honeywell

Harris

Honeywell

Honeywell

Delco

Honeywell

Hughes Aircraft
General Motors

IBM

CONTENTS

CORPORTE INFORMATION

BOARD OF DIRECTORS

Executive Directors

SIU Paul Y. *(Chairman)*
SHUI Wai Mei *(Vice Chairman)*
SHEUNG Shing Fai
SIU Nina Margaret

Independent Non-executive Directors

CHUNG Pui Lam
CHAN Fai Yue, Leo
LEE Kit Wah

AUDIT COMMITTEE

LEE Kit Wah
CHUNG Pui Lam
CHAN Fai Yue, Leo

REMUNERATION COMMITTEE

CHUNG Pui Lam
CHAN Fai Yue, Leo
LEE Kit Wah
SIU Paul Y.

NOMINATION COMMITTEE

CHAN Fai Yue, Leo
CHUNG Pui Lam
LEE Kit Wah
SHEUNG Shing Fai

QUALIFIED ACCOUNTANT

MOK Sim Wa

COMPANY SECRETARY

LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

SIU Paul Y.
SHEUNG Shing Fai

AUDITORS

BDO Limited
25/F Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor
North Point Industrial Building
499 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

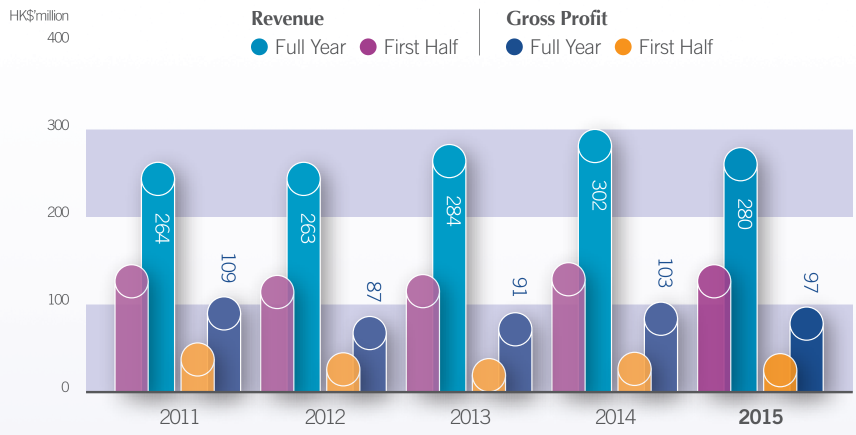
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications

WEBSITE

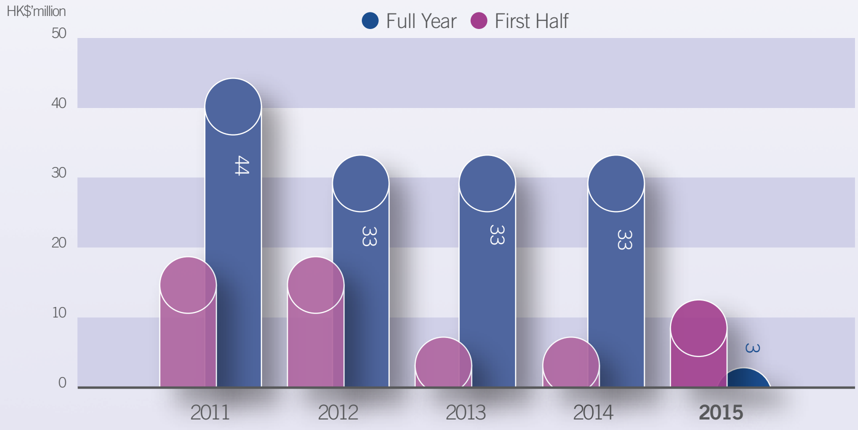
www.datronixhldgs.com.hk

FINANCIAL HIGHLIGHTS

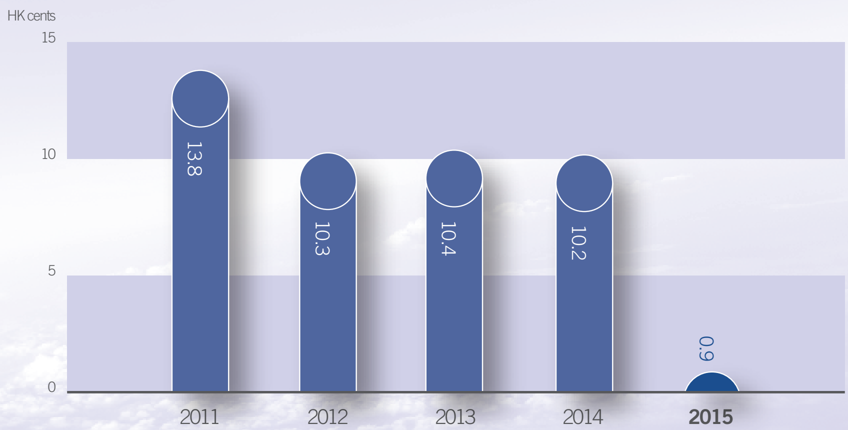
REVENUE/GROSS PROFIT



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

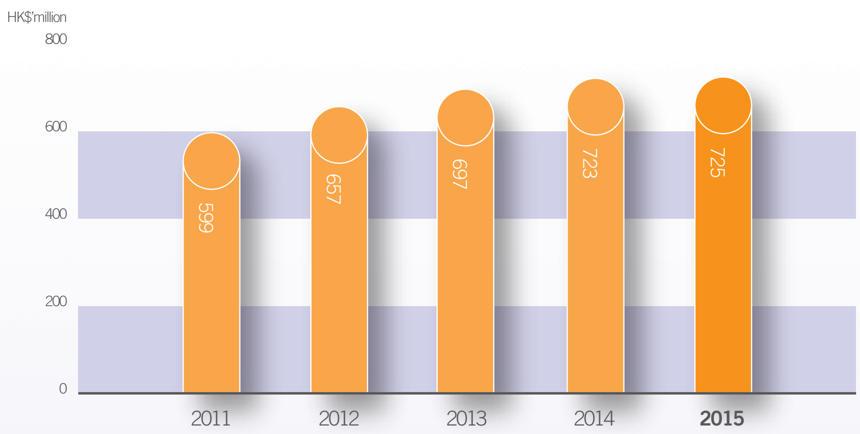


EARNINGS PER SHARE (CENTS)

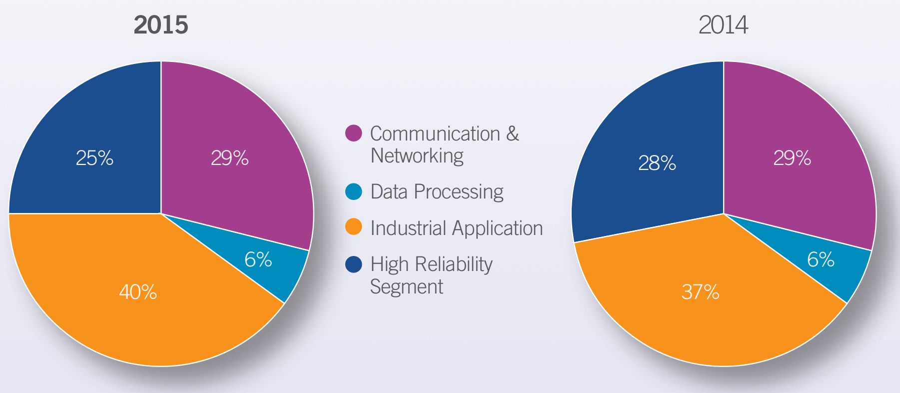


FINANCIAL HIGHLIGHTS

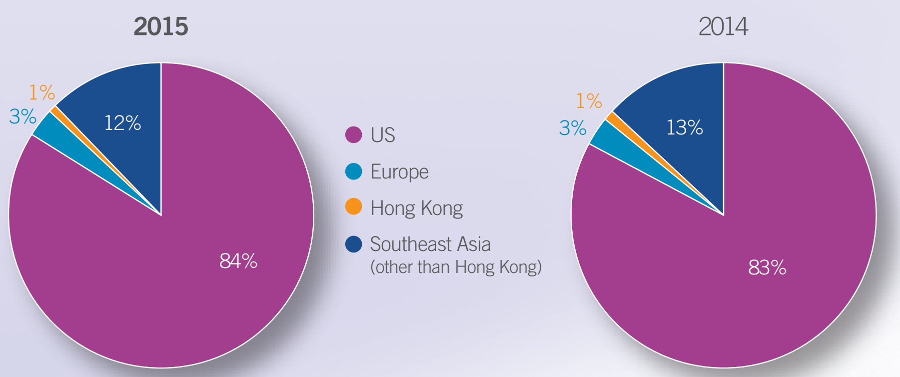
NET ASSETS



MARKET



GEOGRAPHICAL DESTINATION OF PRODUCTS



GENERAL

The Group is principally engaged in the design, manufacture and sale of magnetics used in consumer electronics, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control applications. All of the Group's magnetics are sold under its own brandname "Datatronics". A majority of the Group's products are customized magnetics tailored-made according to the requirements and specifications of its customers. The Group also offered standard catalogue magnetics to its customers.

The Group focuses on the high-end segment of the magnetics industry. It has a customer base over 300 customers comprising manufacturers of telecommunication and data processing equipment, technology equipment, motor vehicles, military, aerospace and medical equipment.

The Group's world-class design and manufacturing capabilities, together with the breadth of its product offerings, provide her with a competitive advantage that enable her to anticipate and deliver highly customized solutions for their customers' product needs. In addition, their global presence enable them to participate in many relevant product and geographic markets and provide her with proximity to their global customer base.

THE GROUP'S PRODUCT LINE

The Company designs and manufactures both standard and customized magnetic components in a large variety of products:

- Transformers
- Lan Filter Modules
- Digital Delay Modules
- Inductors / Chokes
- ASDL Transformer
- Planar Magnetics
- Magnetics for Aviation Applications
- Magnetic Components for DC / DC Converters
- Magnetics for Hybrid Network Assemblies
- Magnetics for Power Conversion
- Magnetics for Energy Savings
- Magnetics for Medical Devices / Equipment
- Magnetics for Internet Equipment
- Magnetics for Data Acquisition / Transmitter and Signal Conditioning

GENERAL

MARKETS SERVED

The Company's products to-day find application in a wide range of state-of-the-art electronic equipment that include the following:

- Telecommunications
- Communications
- Aerospace
- Instrumentation
- Industrial Equipment
- Computers & Networking
- Internet Equipment
- Medical Devices / Equipment
- Automotive

The Group's products meet or exceed numerous performance, safety, quality specification and standard that include the following:

- QS-9000
- CSA
- IEC950
- UL
- ISO 9001 and ISO 9002
- BABT
- VDE

GENERAL

The directors consider the following to be the key factors contributing to the Group's success:

- the extensive experience and expertise of the Group's management team in the magnetics industry;
- its well-established business relationship with customers;
- its forefront technology and technical know-how to assist and bridge its customers to new technologies;
- its ability to satisfy customers' needs by offering customized products that meet their reliability, quality and delivery requirements;
- its logistic center located in Southern California, U.S. and Paris, France to support delivery and service to customers;
- the wide range of product it offers;
- "Just-in-time" delivery and "Ship-to-stock" Program certified with numerous key customers;
- its reputation for high quality and high reliability products;
- "One stop solution";
- capacity to grow due to more demands for high reliability products in U.S. and Europe;
- cost competitive;
- the barrier of entrance for competitors is very high; and
- its established relationship with major suppliers which enables the Group to obtain a stable supply of materials for the Group's products.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Datronix operating results reflected a general softening of the global economy. Our revenue was HK$280 million for the year of 2015 compared to $302 million reported in 2014. Demand in general business has been slightly weakened. Our gross margin was HK$97 million in 2015, compared to HK$103 million for year 2014. Notwithstanding the rising labor costs in China, management has literally control our production cost with gross margin remained flat at around 34% in 2015.

On September 2015, the Group completed an acquisition of investment property in the prime area of Hong Kong. The purchase price was HK$117 million. With respect to its prime location, the property is considered as a viable long term investment, broaden the Group's income stream as well as potential price appreciation in the long run.

Our net profit reported at HK$2.8 million for the year of 2015, compared to HK$32.6 million in 2014. The decrease in profit was mainly attributed to the exchange loss due to the depreciation of Renminbi and the fair value loss on investment property.

Datronix remained a healthy financial position with cash balance of HK$340 million and there is no issuance on debt for year 2015.

MARKET REVIEW

Communication and Networking

Communication segment contributed HK$81 million of sales for year 2015, compared to HK$87 million in 2014. This segment contributed 29% of the Group's total turnover. The communication and networking customers demand has shown a slowdown in 2015.

Data Processing

Sales for this segment were HK$18 million in 2015, compare to HK$17.8 million in 2014. Data processing segment demonstrated stability in demand and contributed 6% of the Group's turnover.

Industrial Application

Industrial application segment sales remained flat at HK$111.5 million in 2015, compared to HK$112 million in 2014. New sales derived in 2015 was offset by the weakened demand in the industrial application customers. This segment contributed 40% of the Group's total turnover.

High Precision and Reliability Segment

This segment demands precise technology, advance technical know-how and good workmanship by the Group. Healthcare reform and numerous costs initiative action in the healthcare industry has continuous pressured our customers for a lower selling price. Our sales on high reliability segment has reported HK$69.2 million in 2015, compare to HK$84 million in 2014. This segment contributed 25% of the Group's turnover.

CHAIRMAN'S STATEMENT

ACHIEVEMENT AND AWARDS

In recognition of our quality, value of our products and of the Group's service and performance, Datronix has to date received 40 awards from our customers.

LOOKING FORWARD

As the softening of the general economy across the globe continues, Datronix has position ourselves to weather it by streamline operations and improve operating efficiencies. Furthermore, we will proactively seek for opportunities in the distressed economy.

We would like to take this opportunity to thank our shareholder, business partners, customers and bankers for their continuous support to the Group and to all the staff for their contributions for the past year.

SIU Paul Y.
Chairman

Hong Kong, 21 March 2016

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue was HK$280 million as at 31 December 2015 (2014: HK$302 million). Gross profit in 31 December 2015 was HK$97 million with gross margin representing 35%, compared to HK$103 million with gross margin representing 34% for the same period last year. Profit recorded HK$2.8 million and HK$32.6 million for the year ended 2015 and 2014 respectively. Net profit margin was 1% in 31 December 2015, compared to 11% in 31 December 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the Group had a total equity of approximately HK$725 million (2014: HK$723 million), and cash and cash equivalents of approximately HK$340 million (2014: HK$464 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2015, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2015.

The Group had limited exposure to foreign exchange fluctuations in normal business transactions as most of its accounts receipts and payments are in US dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 1,056 personnel around the world, with approximately 115 in Hong Kong, 903 in the PRC and 38 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operation system, product and technology development, and product safety.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Competitive remuneration packages will be offered to employees based on business performance, market practices and the performance of individual employees. The Group has adopted a mandatory provident fund scheme for its Hong Kong employees.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2015 (2014: Nil).

CAPITAL COMMITMENTS

The Group did not have any capital commitment outstanding at the year end and contracted but not provided for property, plant and equipment in the financial statement (2014: Nil).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Siu Paul Y., aged 75, the Chairman and Chief Executive Officer of the Group, is the founder of the Group. Mr. Siu is also a member of Remuneration Committee of the Company. He is responsible for the Group's overall business strategy and formulation of corporate plan. Mr. Siu holds a master's degree of science in engineering and a bachelor degree of science from the University of California, Los Angeles in the US. He has more than 30 years of experience in sales and manufacturing of magnetic components as well as the sales of other electronic components for telecommunication and data processing systems and other electronic systems.

Ms. Shui Wai Mei, aged 70, is the Vice Chairman of the Group responsible for the Group's general administration. She has more than 20 years of experience in business development. Ms. Shui joined the Group in 1975 and is the spouse of Mr. Siu Paul Y..

Mr. Sheung Shing Fai, aged 67, is the General Manager of the Group. Mr. Sheung is also a member of the Nomination Committee of the Company. He is responsible for the Group's business and technology development. Mr. Sheung holds a bachelor degree of science in electronic engineering from the National Taiwan University in Taiwan. He has more than 20 years of experience in sales and manufacturing of magnetic components and other electronic components for telecommunication and data processing systems and other electronic systems. Mr. Sheung joined the Group in 1988.

Ms. Siu Nina Margaret, aged 39, is an Executive Director of the Group. Ms. Siu holds a MBA degree with emphasis on Finance and Certificate in International Business in Loyola Marymount University and a bachelor degree of arts with major in business economics from the University of California, Los Angeles in the US. She has more than 3 years experience in the US syndication loan market on major listed companies in the US. Ms. Siu is responsible for the finance and marketing of the Group. Ms. Siu joined the Group as a Non-executive Director on 31 May 2000, and re-designated to Executive Director of the Group on 7 July 2005. Ms. Siu resigned on 31 December 2011 and was reappointed as Executive Director on 1 January 2013. Ms. Siu is the daughter of Mr. Siu Paul Y..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Pui Lam, *GBS, OBE, JP*, aged 75, was appointed as an Independent Non-executive Director of the Company in March 2001. Mr. Chung is also a chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. He is a practicing solicitor in Hong Kong. Mr. Chung is serving as consultant to numerous commercial enterprises, local district associations, trade unions, owners corporations and building management professional associations. Mr. Chung is also an independent non-executive director of S E A Holdings Limited and a non-executive director of Chow Sang Sang Holdings International Limited.

Mr. Chan Fai Yue, Leo, aged 75, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Chan is also a chairman of the Nomination Committee and a member of each of the Remuneration Committee and Audit Committee of the Company. Mr. Chan is a member of The Hong Kong Institute of Directors. Mr. Chan has over 20 years of experience in Hong Kong stock market and manufacturing industry. He was exposed to the trading and finance field during his early years in Japan. He is a director of a paint manufacturing company in Bangkok, Thailand.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Kit Wah, aged 61, was appointed as an Independent Non-executive Director of the Company in August 2011. Mr. Lee is also a chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Lee graduated from University of Toronto in 1979 with a bachelor's degree in Commerce. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and a member of the Institute of Chartered Accountants in England and Wales. Mr. Lee was trained at Price Waterhouse (presently PricewaterhouseCoopers) in Hong Kong from 1979 to 1984, and worked at F. S. Li & Co., Certified Public Accountants between 1985 to 1988 first as an audit supervisor and then as an audit manager. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm, Katon CPA Limited. Mr. Lee is currently an independent non-executive director of ITC Corporation Limited, which is listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Mr. Lee was an independent non-executive director of SinoCom Software Group Limited from March 2004 to 10 September 2013, a company is listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Bradley D. Turner, aged 59, is the Vice President and General Manager of all U.S.A. based operations for the Group. Prior to joining the company in 2013, Mr. Turner served as President for BI Technologies Components, and has over 33 years' experience of operations management, sales, and engineering of magnetic and other passive electronic components. Mr. Turner holds a BS from Azusa Pacific University, an Master Degree in Business Administration from California State Polytechnic University, and several US patents for electronic component design and manufacturing.

Mr. Patrick Julienne, aged 61, is the Sales Manager of Datamax S.A.R.L, responsible for sales and marketing of the Group's products in Europe. Mr. Julienne obtained a degree in Electronic from the Technology University Institute in Paris. Mr. Julienne has over 20 years of experience in electronics industry. He joined the Group in 2007.

Mr. Wong Ning, aged 66, is the Deputy General Manager of the Group responsible for the management of the Group's operations in Shunde, the PRC. Mr. Wong has over 20 years of experience in the management and administration in manufacturing industry. He joined the Group in 1990.

Mr. Tam Chun Cheung, aged 67, is the manager of the production department of the Group responsible for the management of the Group's manufacturing operations in Hong Kong and the PRC. Mr. Tam holds a bachelor degree of science in engineering from the National Taiwan University in Taiwan. He has over 15 years of experience in the semi-conductor industry. Mr. Tam joined the Group in 1994.

Ms. Mok Sim Wa, aged 37 is the Finance Manager of the Group. She is responsible for all finance and accounting functions of the Group. Ms. Mok obtained a Master Degree in Business Administration from the University of South Australia and a Higher Diploma in Accountancy from the City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institutes of Certified Public Accountants. Ms. Mok has over 9 years of experience in auditing, accounting, taxation matters. She joined the Group in 2010.

REPORT OF THE DIRECTORS

The Directors present herewith their annual report and the audited financial statements of Datronix Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 19 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	23%	
Five largest customers in aggregate	68%	
The largest supplier		17%
Five largest suppliers in aggregate		39%

Except that the largest customer, Datatronics Romoland, Inc., is a related company in which the Company's director, Mr. Siu Paul Y., holds 100% of its issued share capital directly, none of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

SEGMENT INFORMATION

Details of segment information are set out in note 6 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The financial performance of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

The financial position of the Group and the Company as at 31 December 2015 are set out in the consolidated statement of financial position on page 34 and the statement of financial position on page 79 respectively.

The directors recommend the payment of a final dividend of HK$0.02 (2014: HK$0.025) per share, totalling HK$6,400,000 (2014: HK$8,000,000) for the year ended 31 December 2015.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2015 and of the assets and liabilities as at 31 December 2011, 2012, 2013, 2014 and 2015 is set out on page 86.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Movements in share capital of the Company during the year are set out in note 26 to the financial statements. There was no change in share capital during the year. During the year, the Company did not grant any share options. The Company adopted a share option on 6 June 2001 which remained in force for a period of 10 years from the date of adoption. The share option scheme expired on 6 June 2011.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 35 and 75, respectively.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Siu Paul Y., *Chairman*
Ms. Shui Wai Mei, *Vice Chairman*
Mr. Sheung Shing Fai
Ms. Siu Nina Margaret

Independent Non-executive Directors

Mr. Chung Pui Lam
Mr. Chan Fai Yue, Leo
Mr. Lee Kit Wah

In accordance with Bye-laws 87(1) of the Company's Articles of Association, Ms. Shui Wai Mei and Mr. Sheung Shing Fai will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS (Continued)

Amongst the Executive Directors, Mr. Siu Paul Y., Ms. Shui Wai Mei and Mr. Sheung Shing Fai have each entered into a service contract with the Company for an initial fixed term of three years commencing from 22 June 2001. While Ms. Siu Nina Margaret has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January 2013. Such contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these directors is entitled to a basic salary, which is determined on the basis of his/her qualification, experience, involvement in and contribution to the Company and by reference to the market rate. In addition, the Executive Directors are also entitled to a management bonus of a sum at the discretion of the Directors. An Executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him.

Save as aforesaid, none of the directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent enterprise 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.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, the Directors had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO:

a) The Company

	Ordinary shares of HK$0.1 each			
	Personal interests	**Family interests**	**Corporate interests**	**Total**
Mr. Siu Paul Y.	–	–	231,302,000 *(Note 1)*	231,302,000

DIRECTORS' INTERESTS IN SHARES (Continued)

b) Associated corporation

		Non-voting deferred shares of HK$1 each			
	Name of corporation	Personal interests	Family interests	Corporate interests	Total
Mr. Siu Paul Y.	Datatronic Limited	1	–	199,999 *(Note 2)*	200,000

Notes:

1. These shares are held by Onboard Technology Limited, a company incorporated in the British Virgin Islands, and in which Mr. Siu Paul Y. and Ms. Shui Wai Mei beneficially own 90% and 10% of its issued share capital respectively, representing 72.28% of the issued share capital of the Company.

2. These shares are held by Data Express Limited, a company incorporated in the Republic of Liberia, whose entire issued share capital is beneficially owned by Mr. Siu Paul Y..

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives of the Company or their respective associates in the shares and underlying shares of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code of Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executives (including their spouses and children under the age of 18), had, as at 31 December 2015, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

CONNECTED TRANSACTIONS

The related party transactions disclosed in note 28, Related Party Transactions, item (a) of Sales to DRI, to the financial statements constituted connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Datatronic Limited ("DL"), a wholly owned subsidiary of the Company, and Datatronics Romoland, Inc. ("DRI") entered into a 6th Datatronic Master Supply Agreement on 3 September 2013 ("the 6th Datatronic Master Supply Agreement") which superseded the 5th Master Supply Agreement dated 28 September 2010 in respect of the supply of magnetics to DRI by DL.

The 6th Datatronic Master Supply Agreement for a fixed term of three years from 1 January 2014 and on effectively the same terms and conditions of the Master Supply Agreement, 2nd Master Supply Agreement, 3rd Master Supply Agreement, 4th Master Supply Agreement and 5th Master Supply Agreement, was entered into on 3 September 2014 superseding the 5th Master Supply Agreement until terminated by either party giving to the other party not less than three months' written notice. Pursuant to the 6th Datatronic Master Supply Agreement, the selling prices of the magnetics under the Datatronic Master Supply Agreement are to be agreed between DL and DRI. DL will determine the price of the magnetics required by DRI according to its pricing policy of obtaining a reasonable profits margin for its sales in accordance with the prevailing market conditions, on normal commercial terms and at arm's length basis. DL would ascertain the prevailing market conditions by comparing the sales prices of the other customers of DL (the "Other Price") and those of similar products in the market in general (the "Market Price"). Benchmark on reasonable profits margin is set. DL would closely monitor the sales activities of its customers and would get research reports on its major customers who are listed companies in the US from time to time so as to ascertain the prevailing market conditions. DL will take into account all the factors stated above which include the Other Price and the Market Price and make sure that the profit margin obtained is no less favorable to the Group when compared with the Other price and the Market Price. The Group is granted a first refusal right by DRI to the effect that only if DL declines to supply the magnetics, DRI may source the same from any third-party supplier, provided that the terms of purchase shall not be more favourable than those offered to DL. The total purchases made by DRI under the 6th Datatronic Master Supply Agreement during the year ended 31 December 2015 was approximately HK$45,004,000 (2014: HK$63,120,000).

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (Continued)

Innovative Power Inc. ("IPI"), a wholly owned subsidiary of the Company, and DRI entered into a IPI Master Supply Agreement on 3 September 2013 ("the IPI Master Supply Agreement") in respect of the supply of telemetric coil and perfect layered wounds coils and provide technological services to DRI by IPI.

The IPI Master Supply Agreement is for an initial term of three years from 1 January 2014 and shall continue thereafter until terminated by either party giving the other party not less than three months' written notice. Any continuation after the initial term shall also be subjected to Independent Shareholders' approval. Pursuant to IPI Master Supply Agreement, IPI has agreed to sell products and/or to provide technological services to DRI for a three years term up to 31 December 2016 and subject to the terms and condition set out therein at a price to be agreed by the parties. IPI will determine the price of the products required by DRI according to its pricing policy of obtaining a reasonable profits margin for its sales in accordance with the prevailing market conditions, on normal commercial terms and at arm's length basis. IPI would ascertain the prevailing market conditions by comparing the Other Price and Market Price. Benchmark on reasonable profits margin is set. IPI would closely monitor the sales activities of its customers and would get research reports on its major customers who are listed companies in the US from time to time so as to ascertain the prevailing market conditions. IPI will take into account all the factors stated above, namely the Other Price and the Market Price and make sure that the profit margin obtained is no less favorable to the Group when compared with the Other price and the Market Price. In relation to the technological service fee, IPI would determine the same by reference to the actual time spent by the in-house expertise and the degree of complication of the services rendered. IPI would determine the service fee by reference to fees charged by IPI for similar services and by reference to the fee charged by other companies providing service in similar nature. Under the IPI Master Supply Agreement, IPI is granted a first refusal right by DRI to the effect that only if the IPI declines to supply the magnetics, DRI may source the same from any third-party supplier, provided that the terms of purchase shall not be more favourable than those offered to IPI. The total purchases made by DRI under IPI Master Supply Agreement during the year ended 31 December 2015 was approximately HK$114,000 (2014: HK$213,000).

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the connected transactions and have confirmed that the connected transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) on terms no less favourable than those available to independent third parties; and

(iii) on terms that are fair and reasonable and in the interests of the shareholders as a whole.

CONNECTED TRANSACTIONS (Continued)

In accordance with Rule 14A.56 of the Listing Rules, the auditors of the Company provided a letter to the Board of Directors confirming that the continuing connected transactions:

1. nothing has come to their attention that the transactions have not been approved by the Board;

2. nothing has come to their attention that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. nothing has come to their attention that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

4. nothing has come to their attention that the transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement date 3 September 2013 made by the Company in respect of the disclosed continuing connected transactions.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on page 20 to 27 of this Report.

PUBLIC FLOAT

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

AUDITORS

The financial statements have been audited by BDO Limited. A resolution for their reappointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Siu Paul Y.
Chairman

Hong Kong, 21 March 2016

CORPORATE GOVERNANCE REPORT

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of the Company and its shareholders and devote considerable efforts to identifying and formalizing best practice.

During the year, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation:

Code Provision A.2.1

Under the provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Siu Paul Y.. The Board considered that the non-segregation has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Code Provision A.4.1

The non-executive directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Code Provision A.4.2

Under the provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws of the Company, the chairman of the Company will not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances.

During the year, five board meetings were held and the attendance of each Director is set out as follows:

Director	Number of attendance
Mr. Siu Paul Y.	5/5
Ms. Shui Wai Mei	5/5
Mr. Sheung Shing Fai	5/5
Ms. Siu Nina Margaret	5/5
Mr. Chung Pui Lam	5/5
Mr. Chan Fai Yue, Leo	5/5
Mr. Lee Kit Wah	5/5

Board minutes are kept by the Company Secretary.

Each Board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

BOARD COMPOSITION

The Board currently comprises four Executive Directors, being Mr. Siu Paul Y. (Chairman), Ms. Shui Wai Mei (Vice Chairman), Mr. Sheung Shing Fai and Ms. Siu Nina Margaret, and three Independent Non-executive Directors, being Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah.

The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting, law and business management. They provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code A.6.5 of the Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The training each director received during the year is summarised as below:

	Attending seminars/ workshop regarding financial, management, Legal, Regulatory or Corporate Governance	Reading newspapers, journals and other relevant materials relating to the economy and director's profession
Executive Directors		
Mr. Siu Paul Y.	✓	✓
Ms. Shui Wai Mei	✓	✓
Mr. Sheung Shing Fai	✓	✓
Ms. Nina Siu Margaret	✓	✓
Independent Non-executive Directors		
Mr. Chung Pui Lam	✓	✓
Mr. Chan Fai Yue, Leo		✓
Mr. Lee Kit Wah	✓	✓

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Non-executive Directors were not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

According to the provisions of the Bye-laws of the Company, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director, Mr. Siu Paul Y. and three Independent Non-executive Directors, Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah. Mr. Chung Pui Lam is the Chairman of the Remuneration Committee.

During the year, one Remuneration Committee meetings were held. The attendance of each member is set out as follows:

Director	Number of attendance
Mr. Siu Paul Y.	1/1
Mr. Chung Pui Lam	1/1
Mr. Chan Fai Yue, Leo	1/1
Mr. Lee Kit Wah	1/1

The major roles and functions of the Remuneration Committee are summarized as follows:

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and

2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the Board the overall remuneration policy and the remuneration package for the executive directors and key senior management.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2015, the directors have adopted suitable accounting polices which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors, Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah. Mr. Lee Kit Wah is the Chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

AUDIT COMMITTEE (Continued)

During the year, four Audit Committee meetings were held. The attendance of each member is set out as follows:

Director	Number of attendance
Mr. Chung Pui Lam	4/4
Mr. Chan Fai Yue, Leo	4/4
Mr. Lee Kit Wah	4/4

During the meetings held in 2015, the Audit Committee had performed the following major works:

1. reviewed and approved the financial statements of the Group for the year ended 31 December 2014 (the "2014 Financial Statements") and discussed with the external auditors on any findings in relation to the 2014 Financial Statements and audit issues;

2. reviewed the interim results for the six months ended 30 June 2015;

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises an Executive Director, Mr. Sheung Shing Fai, and three Independent Non-executive Directors, Mr. Chung Pui Lam, Mr. Chan Fai Yue, Leo and Mr. Lee Kit Wah. Mr. Chan Fai Yue, Leo is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the year, one Nomination Committee meeting was held. The attendance of each member is set out as follows:

Director	Number of attendance
Mr. Sheung Shing Fai	1/1
Mr. Chung Pui Lam	1/1
Mr. Chan Fai Yue, Leo	1/1
Mr. Lee Kit Wah	1/1

NOMINATION COMMITTEE (Continued)

The Nomination Committee had reviewed the structure, size and the composition of the Board in consideration of re-election of retiring Directors in 2015 Annual General Meeting and reviewed the Board Diversity Policy of the Company during the year.

Board Diversity Policy

During the year, the Board reviewed a board diversity policy. All Board appointments will continue to be made on meritocracy and selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The nomination committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out in the Code which includes to develop and review the Group's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors and to review the Group's compliance with the Code and disclosure in this Corporate Report.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. BDO Limited, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	735

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfilment of the business objectives.

The internal control system is reviewed by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2015 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

COMPANY SECRETARY

Ms. Leung Sau Fong is the Company Secretary of the Company. Ms. Leung is a director of a corporate secretarial services provider in Hong Kong. The primary contact person of the Company with Ms. Leung is Mr. Siu Paul Y., the Chairman and Chief Executive Officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Leung has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting ("the EGM") of the Company are prepared in accordance with Bye-law 58 of the Bye-laws of the Company:

1. 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 may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2. The EGM shall be held within 2 months after the deposit of such requisition.

3. If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, 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.

SHAREHOLDERS RIGHTS (Continued)

Procedures for raising enquires

1. Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section of headed "Corporate Information" of this annual report.

2. Shareholders may at any time raise any enquiry in respect of the Company via email at the email address at datronix@datronixhldgs.com.hk.

3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at 19/F., North Point Industrial Building, 499 King's Road, North Point, Hong Kong for the attention of the Board or the Company Secretary of the Company.

2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:

   (i) At least 21 clear days' notice (the notice period must include 20 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or

   (ii) At least 14 clear days' notice (the notice period must include 10 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

COMMUNICATION WITH SHAREHOLDERS

The Chairman of the Board has attended at the annual general meeting to be available to answer questions at the meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at First Floor, Yue-Function Room II, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong on Friday, 27 May 2016 at 2:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 31 December, 2015 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend.

3. To re-elect retiring directors and to fix directors' remuneration.

4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

   A. "**THAT**

      (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

      (c) the aggregate nominal amount of shares issued, allotted, or dealt with by the Directors pursuant to the approval granted in paragraph (a) of this resolution, otherwise than the issue of shares by way of rights, scrip dividend schemes or similar arrangements in accordance with the Bye-laws of the Company or any options granted under the share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

  (i) the conclusion of the next annual general meeting of the Company;

  (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Byelaws of the Company to be held; and

  (iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

B. "**THAT**

(a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (the "Director") during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of securities to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

  (i) the conclusion of the next annual general meeting of the Company;

  (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda laws or the Byelaws of the Company to be held; and

  (iii) the date on which the authority sets out in the Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

NOTICE OF ANNUAL GENERAL MEETING

C. "**THAT** the general unconditional mandate granted to the directors of the Company to issue, allot and deal with shares pursuant to Ordinary Resolution No. 5A set out in the notice convening this meeting be and is hereby extended by addition thereto of an amount representing the aggregate nominal amount of the shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5B set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing this resolution."

By order of the Board
LEUNG Sau Fong
Company Secretary

Hong Kong, 25 April 2016

Notes:

i. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

ii. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

iii. The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 24 May 2016.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Friday, 3 June 2016 to Monday, 6 June 2016, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2 June 2016. The cheques for dividend payment will be sent on about Monday, 20 June 2016.

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF DATRONIX HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Datronix Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 33 to 85, 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, the consolidated statement of changes in equity and the 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 consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 21 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	*7a*	**279,696**	301,593
Cost of sales		**(182,814)**	(198,858)
Gross profit		**96,882**	102,735
Other revenue and gain	*7b*	**11,650**	11,154
Distribution and selling expenses		**(14,763)**	(17,463)
Administrative expenses		**(68,298)**	(60,752)
Fair value loss on investment property		**(19,645)**	–
Profit before income tax expense	*8*	**5,826**	35,674
Income tax expense	*10*		
Current tax – tax for the year		**(4,791)**	(4,328)
– over provision in respect of prior years		**1,778**	1,294
Deferred taxation		**(11)**	(2)
		(3,024)	(3,036)
Profit for the year and attributable to owners of the Company		**2,802**	32,638
Other comprehensive income, net of tax	*11*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(2,858)**	(1,486)
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings held for own use		**15,861**	9,606
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**13,003**	8,120
Total comprehensive income for the year and attributable to owners of the Company		**15,805**	40,758
Earnings per share			
– Basic and diluted	*12*	**HK$0.009**	HK$0.102

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**212,424**	197,032
Investment property	*15*	**107,300**	–
Payment for leasehold land held for own use under operating leases	*16*	**3,773**	4,082
Goodwill	*17*	**9,486**	9,486
		332,983	210,600
Current assets			
Inventories	*20*	**83,534**	79,265
Trade receivables	*22*	**29,672**	29,248
Prepayments, deposits and other receivables		**3,767**	2,835
Amount due from ultimate holding company	*21*	**63**	57
Amounts due from related companies	*21*	**109**	119
Tax prepayment		**1,008**	1,007
Cash and cash equivalents		**340,457**	463,808
		458,610	576,339
Current liabilities			
Trade and other payables	*23*	**18,326**	16,032
Current tax liabilities		**1,405**	1,638
		19,731	17,670
Net current assets		**438,879**	558,669
Total assets less current liabilities		**771,862**	769,269
Non-current liabilities			
Employee benefits	*24*	**18,422**	19,526
Deferred tax liabilities	*25*	**28,765**	26,473
		47,187	45,999
NET ASSETS		**724,675**	723,270
Equity			
Share capital	*26*	**32,000**	32,000
Reserves		**692,675**	691,270
TOTAL EQUITY		**724,675**	723,270

On behalf of the Board of Directors

Siu Paul Y.
Director

Shui Wai Mei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to owners of the Company						
	Issued capital *(note 26)* HK$'000	**Share premium** *(note 27(c)(i))* HK$'000	**Capital reserve** *(note 27(c)(ii))* HK$'000	**Property revaluation reserve** *(note 27(c)(iii))* HK$'000	**Exchange reserve** *(note 27(c)(iv))* HK$'000	**Retained earnings** *(note 27(c)(vi))* HK$'000	**Total** HK$'000
At 1 January 2014	32,000	57,099	(23,724)	141,666	15,491	474,380	696,912
Profit for the year	–	–	–	–	–	32,638	32,638
Other comprehensive income for the year *(note 11)*							
Exchange differences on translating foreign operations	–	–	–	–	(1,486)	–	(1,486)
Surplus on revaluation of leasehold land and buildings held for own use	–	–	–	9,606	–	–	9,606
Total comprehensive income for the year	–	–	–	9,606	(1,486)	32,638	40,758
Dividends paid *(note 27(b))*	–	–	–	–	–	(14,400)	(14,400)
At 31 December 2014 and 1 January 2015	32,000	57,099	(23,724)	151,272	14,005	492,618	723,270
Profit for the year	–	–	–	–	–	2,802	2,802
Other comprehensive income for the year *(note 11)*							
Exchange differences on translating foreign operations	–	–	–	–	(2,858)	–	(2,858)
Surplus on revaluation of leasehold land and buildings held for own use	–	–	–	15,861	–	–	15,861
Total comprehensive income for the year	–	–	–	15,861	(2,858)	2,802	15,805
Dividends paid (note 27(b))	–	–	–	–	–	(14,400)	(14,400)
At 31 December 2015	32,000	57,099	(23,724)	167,133	11,147	481,020	724,675

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
Profit before income tax expense	**5,826**	35,674
Adjustments for:		
Interest income	**(11,097)**	(10,447)
Fair value loss on investment property	**19,645**	–
Depreciation of property, plant and equipment	**4,016**	5,637
Loss/(gain) on disposal of property, plant and equipment, net	**2**	(185)
Amortisation of payment for leasehold land held for own use under operating leases	**119**	122
(Reversal of provision)/provision for impairment loss on trade receivables	**(37)**	86
Provision for impairment loss of inventories	**1,950**	5,333
Operating profit before working capital changes	**20,424**	36,220
(Increase)/decrease in inventories	**(6,219)**	3,241
(Increase)/decrease in trade receivables	**(387)**	5,179
(Increase)/decrease in prepayments, deposits and other receivables	**(1,244)**	1,281
Increase in amount due from ultimate holding company	**(6)**	(6)
Decrease/(increase) in amounts due from related companies	**10**	(25)
Increase/(decrease) in trade and other payables	**2,294**	(1,623)
(Decrease)/increase in employee benefits	**(376)**	437
CASH GENERATED FROM OPERATIONS	**14,496**	44,704
Income tax paid	**(4,147)**	(2,475)
Net cash from operating activities	**10,349**	42,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(2,352)**	(3,159)
Purchases of investment property	**(126,945)**	–
Proceeds from disposal of property, plant and equipment	**–**	590
Interest received	**11,409**	10,315
Net cash (used in)/generated from investing activities	**(117,888)**	7,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(14,400)**	(14,400)
Net cash used in financing activities	**(14,400)**	(14,400)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(121,939)**	35,575
Cash and cash equivalents at beginning of year	**463,808**	429,460
Effect of foreign exchange rate changes on cash and cash equivalents	**(1,412)**	(1,227)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR represented by bank balances and cash	**340,457**	463,808

Note:

Bank balances and cash included an amount of HK$263,091,000 (2014: HK$326,852,000) which is denominated in Renminbi. Included in this amount, HK$37,918,000 (2014: HK$35,837,913) is deposited in the People's Republic of China. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the People's Republic of China are subject to the rules and regulations of exchange controls promulgated by the People's Republic of China authorities.

1. GENERAL

Datronix Holdings Limited (the "Company") was incorporated in Bermuda on 15 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22 June 2001.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing of electronic components in the People's Republic of China (the "PRC") and trading of electronic components to customers in the United States of America (the "US"), Europe, Hong Kong and other countries. The Company and its subsidiaries are collectively referred to as the Group.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 19th Floor, North Point Industrial Building, 499 King's Road, North Point, Hong Kong.

The Company's immediate and ultimate holding company is Onboard Technology Limited, a company incorporated in British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2015 (Continued)

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle *(Continued)*

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 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 27	Equity Method in Separate Financial Statements[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9 (2014)	Financial Instruments[3]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments *(Continued)*

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The requirement of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. The disclosure requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") regarding annual accounts have been amended with reference to the new Company Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rule.

3. BASIS OF PREPARATION (Continued)

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings and investment property, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. The board of directors considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Research and development costs (Continued)

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

The building component of owner-occupied leasehold properties is stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of property revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the property revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The annual depreciation rates are as follows:

Leasehold land and buildings	4% to 4.5% or over the lease terms, whichever is shorter
Machinery and equipment	15% to 30%
Furniture and fixtures	15%
Motor vehicles	18% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are revised annually.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognsied in profit or loss on disposal.

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the effective interest rate.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(j) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (Continued)

(i) ***Financial assets*** *(Continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) ***Impairment loss on financial assets***

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well, through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(k) Impairment of non financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered and impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries; and
- payment for leasehold land held for own use under operating leases

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of non financial assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

(l) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Long service payments

The Group's net obligations in respect of long service payments are the amounts of future benefits that employees have earned in return for their services in the current and prior periods.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, 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 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.

(a) Critical judgments in applying accounting policies

(i) Current taxation and deferred taxation

Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is made.

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(iii) Estimated net realisable value of inventories

The Group's management writes down for slow moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventory will be written down where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed. The Group recognised impairment loss of inventory of approximately HK$1,950,000 for the year (2014: HK$5,333,000).

(iv) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

***(iv) Fair value measurement** (Continued)*

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings – Property, Plant and Equipment (note 14).

- Investment Property (note 15).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(v) Impairment of trade receivables

The Group recognised an impairment loss on trade receivables for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the receivable balances, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtor were to deteriorate, actual write-offs would be higher than estimated. Details of movements in provision for impairment of trade receivables are disclosed in note 22.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group is principally engaged in manufacturing and trading electronic components in both Hong Kong and oversea markets. The Group's chief operating decision-maker regularly reviews the consolidated financial information to assess the performance and consider there is only one operating segment for the Group.

6. SEGMENT INFORMATION (Continued)

(a) Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following main geographical segments:

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**644**	905	**298,052**	174,960
The PRC	**29,523**	34,446	**24,898**	25,321
The US	**236,740**	250,189	**10,024**	10,310
Europe	**7,739**	9,594	**9**	9
Other countries	**5,050**	6,459	**–**	–
	279,052	300,688	**34,931**	35,640
	279,696	301,593	**332,983**	210,600

(b) Information about major customers

Revenue from external customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015	2014
	HK$'000	HK$'000
Customer A	**63,268**	63,224
Customer B	**50,233**	49,549
Customer C *(note 28)*	**45,118**	63,333
	158,619	176,106

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7. REVENUE AND OTHER REVENUE

(a) Revenue

Revenue represents the net invoiced value of goods sold.

(b) Other revenue and gain

	2015 HK$'000	2014 HK$'000
Bank interest income	**11,097**	10,447
Income from disposal of scrap materials	**404**	374
Gain on disposal of property, plant and equipment, net	**–**	185
Sundry income	**149**	148
	11,650	11,154

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2015 HK$'000	2014 HK$'000
Carrying amount of inventories sold	**180,864**	193,525
Provision for impairment loss of inventories	**1,950**	5,333
Cost of inventories recognised as expenses	**182,814**	198,858
Amortisation of payment for leasehold land held for own use under operating leases *(note 16)*	**119**	122
Auditor's remuneration	**784**	733
Depreciation of property, plant and equipment *(note 14)*	**4,016**	5,637
Exchange loss,net	**13,383**	6,817
Loss/(gain) on disposal of property, plant and equipment, net	**2**	(185)
(Reversal of provision)/provision for impairment loss on trade receivables	**(37)**	86
Operating lease rentals *(note 29)*	**449**	437
Research and development expenditure	**5,528**	5,995

9. STAFF COSTS

	2015 HK$'000	2014 HK$'000
Staff costs (including directors' remuneration) comprise:		
Wages and salaries	**100,547**	95,966
Contributions to defined contribution retirement plan	**5,942**	5,449
	106,489	101,415

The staff costs included the amount of HK$5,060,000 (2014: HK$5,413,000) which is classified as research and development expenditure.

10. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current tax – Hong Kong		
– Profits tax for the year	**1,793**	2,588
– (over)/under provision in respect of prior years	**(845)**	337
	948	2,925
Current tax – overseas		
– Profits tax for the year	**2,998**	1,740
– over provision in respect of prior years	**(933)**	(1,631)
	2,065	109
Deferred taxation *(note 25)*	**11**	2
	3,024	3,036

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2014: 25%).

The US subsidiaries are subject to US Federal Corporate Income Tax at 34% (2014: 34%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	HK$'000
Profit before income tax expense	**5,826**	35,674
Effect of tax at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**961**	5,886
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,490**	762
Tax effect of revenue not taxable for tax purposes	**(4,309)**	(4,752)
Tax effect of unused tax losses	**183**	366
Utilisation of tax losses previously not recognised	**(547)**	(164)
Tax effect of expenses not deductible for tax purposes	**7,024**	2,232
Over provision in prior years	**(1,778)**	(1,294)
Income tax expense	**3,024**	3,036

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's certain leasehold land and buildings for own use during the year has been charged to other comprehensive income.

11. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2015			2014		
	Before-tax amount	**Tax expense** *(note 25)*	**Net-of-tax amount**	Before-tax amount	Tax expense *(note 25)*	Net-of-tax amount
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Exchange differences on translating foreign operations	**(2,858)**	**–**	**(2,858)**	(1,486)	–	(1,486)
Surplus on revaluation of leasehold land and buildings held for own use	**18,142**	**(2,281)**	**15,861**	10,956	(1,350)	9,606
	15,284	**(2,281)**	**13,003**	9,470	(1,350)	8,120

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2015 HK$'000	2014 HK$'000
Profit attributable to owners of the Company	**2,802**	32,638

	Number of shares 2015	 2014
Number of ordinary shares in issue	**320,000,000**	320,000,000

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years.

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' emoluments is disclosed as follows:

	Year ended 31 December 2015			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contributions to defined contribution retirement plan HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chairman)*	–	7,690	–	7,690
Shui Wai Mei	–	650	–	650
Sheung Shing Fai	–	1,650	–	1,650
Siu Nina Margaret	–	1,495	18	1,513
Independent non-executive directors				
Chung Pui Lam	125	–	–	125
Chan Fai Yue, Leo	125	–	–	125
Lee Kit Wah	125	–	–	125
	375	11,485	18	11,878

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(a) Directors' emoluments is disclosed as follows: (Continued)

	Year ended 31 December 2014			
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contributions to defined contribution retirement plan HK$'000	Total HK$'000
Executive directors				
Siu Paul Y. *(Chairman)*	–	7,690	–	7,690
Shui Wai Mei	–	650	–	650
Sheung Shing Fai	–	1,650	–	1,650
Siu Nina Margaret	–	1,490	17	1,507
Independent non-executive directors				
Chung Pui Lam	125	–	–	125
Chan Fai Yue, Leo	125	–	–	125
Lee Kit Wah	125	–	–	125
	375	11,480	17	11,872

No directors waived any remuneration during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 December 2015 (2014: Nil).

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining one (2014: one) individual were as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and other benefits	**627**	595
Contributions to defined contribution retirement plan	**17**	17
	644	612

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments paid or payable to members of senior management excluding directors were within the following bands:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**5**	6

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1 January 2014	182,290	30,510	28,232	5,869	246,901
Additions	–	2,355	430	374	3,159
Disposals	–	(344)	(1,217)	–	(1,561)
Surplus on revaluation	8,203	–	–	–	8,203
Exchange adjustment	(493)	(43)	(83)	(503)	(1,122)
At 31 December 2014 and 1 January 2015	190,000	32,478	27,362	5,740	255,580
Additions	–	1,581	771	–	2,352
Disposals	–	(152)	(195)	–	(347)
Surplus on revaluation	15,526	–	–	–	15,526
Exchange adjustment	(976)	(80)	(166)	(19)	(1,241)
At 31 December 2015	**204,550**	**33,827**	**27,772**	**5,721**	**271,870**
Accumulated depreciation					
At 1 January 2014	–	28,232	23,350	5,798	57,380
Charge for the year	2,753	1,684	1,130	70	5,637
Disposals	–	(286)	(870)	–	(1,156)
Written back on revaluation	(2,753)	–	–	–	(2,753)
Exchange adjustment	–	(40)	(32)	(488)	(560)
At 31 December 2014 and 1 January 2015	–	29,590	23,578	5,380	58,548
Charge for the year	2,616	387	947	66	4,016
Disposals	–	(152)	(193)	–	(345)
Written back on revaluation	(2,616)	–	–	–	(2,616)
Exchange adjustment	–	(76)	(76)	(5)	(157)
At 31 December 2015	–	29,749	24,256	5,441	59,446
Carrying amount					
At 31 December 2015	**204,550**	**4,078**	**3,516**	**280**	**212,424**
At 31 December 2014	190,000	2,888	3,784	360	197,032

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings held for own use HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Representing:					
2015					
At cost	–	33,827	27,772	5,721	67,320
At valuation	204,550	–	–	–	204,550
	204,550	33,827	27,772	5,721	271,870
2014					
At cost	–	32,478	27,362	5,740	65,580
At valuation	190,000	–	–	–	190,000
	190,000	32,478	27,362	5,740	255,580

Analysis of leasehold land and buildings by geographical locations is as follows:

	2015 HK$'000	2014 HK$'000
Hong Kong	**185,600**	169,500
The PRC	**18,950**	20,500
	204,550	190,000

The leasehold land and buildings held by the Group for own use located in Hong Kong and PRC were valued at 31 December 2015 (2014: 31 December 2014) by qualified valuers from LCH (Asia-Pacific) Surveyors Limited, an independent firm of chartered surveyors. The valuations were carried out in accordance with guidance set by the International Valuation Standards 2013 published by the International Valuation Standards Council as well as the HKIS Valuation Standards on Properties, 2012 Edition published by the Hong Kong Institute of Surveyors. The revaluation surplus net of applicable deferred income taxes was credited to property revaluation reserve.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following table analyses the leasehold land and buildings by valuation method.

Fair value hierarchy

Description	Fair value measurements at 31 December 2015 using significant unobservable inputs (Level 3)	Fair value measurements at 31 December 2014 using significant unobservable inputs (Level 3)
	HK$'000	HK$'000
Recurring fair value measurements		
Property, plant and equipment:		
Leasehold land and buildings in Hong Kong	185,600	169,500
Buildings in PRC	18,950	20,500
	204,550	190,000

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

The fair value of leasehold land and buildings is a level 3 recurring fair value measurements using significant unobservable inputs. A reconciliation of the opening and closing fair value balance is provided below.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings in PRC HK$'000	Leasehold land and buildings in Hong Kong HK$'000	Total HK$'000
At 1 January 2014	19,710	162,580	182,290
Depreciation charge on revaluation of properties held for own use	(614)	(2,139)	(2,753)
Unrealised gains included in other comprehensive income	1,897	9,059	10,956
Exchange adjustment	(493)	–	(493)
At 31 December 2014 and 1 January 2015	20,500	169,500	190,000
Depreciation charge on revaluation of properties held for own use	(365)	(2,251)	(2,616)
Unrealised gains/(losses) included in other comprehensive income	(209)	18,351	18,142
Exchange adjustment	(976)	–	(976)
At 31 December 2015	18,950	185,600	204,550

For leasehold land and buildings in Hong Kong, the valuation was determined using a market comparison approach. Fair value of leasehold land and buildings was based on prices for recent market transactions in similar properties and adjusted to reflect the conditions and locations of the Group's properties. The significant input into this valuation approach is price per square feet, which has been adjusted to reflect the time of transaction, location, size, level and age of property, site view and building quality.

For buildings in PRC, the valuation was determined using depreciated replacement cost approach. The fair value of buildings is based on estimation of new replacement cost of the buildings and other site works of which adjustments are then made to account for age, condition, and functional obsolescence, while taking into account the site formation cost and those public utilities connection charges to the properties. These adjustments are based on unobservable inputs. The key inputs are estimated cost of construction per square meter and age adjustment on the cost of buildings.

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below.

Description	Fair value at 31 December 2015 (HK$'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Leasehold land and buildings in Hong Kong	185,600 (2014: HK$169,500)	Market comparison approach	Age of property factor	(14%)-8% (2014: (14%)-8%)	Lower age and higher quality will result in correspondingly higher fair value.
			Quality factor	5%-25% (2014: 0%-25%)	
Buildings in PRC	18,950 (2014: HK$20,500)	Depreciated replacement cost approach	Age adjustment on the cost of buildings, taking into account of remaining useful life of buildings.	67%-90% (2014: 69%-90%)	Higher the rate of age adjustment on the cost of buildings will result in correspondingly higher fair value.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation, the carrying amount of the Group's leasehold land and buildings as at 31 December 2015 would have been approximately HK$$19,179,000 (2014: HK$20,480,000).

15. INVESTMENT PROPERTY

	2015 HK$'000	2014 HK$'000
Fair value		
At 1 January	**–**	–
Addition	**126,945**	–
Change in fair value	**(19,645)**	–
At 31 December	**107,300**	–

All the investment properties of the Company are held under long-term leases.

The investment properties held by the Company were valued by qualified valuers from LCH (Asia-Pacific) Surveyors Limited, an independent firm of chartered surveyors. The valuations were carried out in accordance with guidance set by the International Valuation Standards 2013 published by the International Valuation Standards Council as well as the HKIS Valuation Standards on Properties, 2012 Edition published by the Hong Kong Institute of Surveyors.

15. INVESTMENT PROPERTY (Continued)

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

The valuation was determined using a market comparison approach. The fair value is based on the prices for recent market transactions in similar properties and adjusted to reflect the conditions and locations of the Company's properties. The significant input of this valuation approach is price per square feet, which has been adjusted to reflect the time of transaction, location, size, level and age of the property, site view and building quality.

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below.

Description	Fair value at 31 December 2015 (HK$'000)	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment property in Hong Kong	107,300	Market comparison approach	Floor adjustment factor	9%-10%	Higher floor will result in correspondingly higher fair value.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

16. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2015 **HK$'000**	2014 HK$'000
At 1 January	**4,082**	4,310
Amortisation for the year	**(119)**	(122)
Exchange adjustment	**(190)**	(106)
At 31 December	**3,773**	4,082

	2015 **HK$'000**	2014 HK$'000
Leases of between 10 to 50 years, held in:		
The PRC	**3,773**	4,082

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17. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost		
At 1 January and 31 December	**9,486**	9,486

18. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill is allocated to the single cash generating unit ("CGU") identified, the magnetic components production.

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0% (2014: 0%), which does not exceed the long-term growth rate for the magnetic component production industry.

	2015	2014
Pre-tax discount rate	**16%**	16%
Operating margin within the five-year period	**16%-24%**	12%-16%
Growth rate within the five-year period	**0% – 5%**	0% – 5%
Wage inflation	**6%**	6%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on estimation on the Group's similar products. Wage inflation has been based on the Group's past experience in the same manufacturing business.

19. INTERESTS IN SUBSIDIARIES

The following list contains the particulars of all subsidiaries of the Group:

Name	Place of incorporation	Place of operation	Principal activities	Issued and fully paid share capital/ registered capital	Percentage of ownership interests Directly	Indirectly
Guardsafe Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1,000	100%	–
Great Vigour Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–
Musthave Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%
Think Machine Technology Limited	British Virgin Islands	Hong Kong	Investment holding	US$2	–	100%

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Principal activities	Issued and fully paid share capital/ registered capital	Percentage of ownership interests Directly	Indirectly
Century Electronics Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	–	100%
Datatronic Limited	Hong Kong	Hong Kong	Investment holding and manufacturing and trading of electronic components	HK$10,000 ordinary HK$200,000 non-voting deferred (i)	–	100%
連達(廣東)電子有限公司 (ii)	The PRC	The PRC	Manufacturing of electronic components	US$8,665,000	–	100%
Datamax S.A.R.L.	France	France	Trading of electronic components	Euro7,622.45	–	100%
Datatronic Distribution, Inc.	California, the United States of America	California, the United States of America	Trading of electronic components	US$1,000	–	100%
Champ Asset Limited (iii)	Hong Kong	Hong Kong	Property holding	HK$1	–	100%
Maxgain Venture Limited	Hong Kong	Hong Kong	Property holding	HK$2	–	100%
Pulse Tek Trading Limited	Hong Kong	Hong Kong	Trading of electronic components	HK$2	–	100%
Innovative Power, Inc.	California, the United States of America	California, the United States of America	Manufacturing and trading of electronic components	US$1,000	–	100%

(i) The non-voting deferred shares have no voting rights and are not entitled to any dividend on distribution upon winding up unless a sum of HK$1,000,000,000 has been distributed to each holder of the ordinary shares.

(ii) 連達(廣東)電子有限公司 is a wholly foreign owned enterprise established in the PRC for a term of 30 years up to September 2023.

(iii) Champ Asset Limited was incorporated in Hong Kong on 1 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**46,987**	49,265
Work-in-progress	**5,337**	5,923
Finished goods	**31,210**	24,077
	83,534	79,265

The Group's inventories with carrying amount of approximately HK$9,076,000 (2014: HK$9,077,000) was stated at net realisable value.

21. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND RELATED COMPANIES

Particulars of the amounts due from ultimate holding company and related companies, disclosed are as follows:

	2015 HK$'000	2014 HK$'000	Maximum amount outstanding during the period HK$'000
Ultimate holding company			
Onboard Technology Limited	**63**	57	63
Related companies			
Data Express Limited	**58**	48	58
Citicheer Enterprise Inc	**51**	71	71
	109	119	

21. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND RELATED COMPANIES (Continued)

	2014 HK$'000	2013 HK$'000	**Maximum amount outstanding during the period** HK$'000
Ultimate holding company			
Onboard Technology Limited	57	51	57
Related companies			
Data Express Limited	48	34	48
Citicheer Enterprise Inc	71	60	71
	119	94	

The amounts due from ultimate holding company and related companies are unsecured, interest free and repayable on demand.

22. TRADE RECEIVABLES

Customers are generally offered a credit period ranging from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

(a) An ageing analysis of trade receivables as at the end of the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**19,594**	18,593
31 to 60 days	**8,209**	7,888
61 to 90 days	**1,925**	2,379
Over 90 days	**276**	757
	30,004	29,617
Less: Allowance for doubtful debts	**(332)**	(369)
	29,672	29,248

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. TRADE RECEIVABLES (Continued)

(b) The movement in the allowance for doubtful debts is as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**369**	283
Additional impairment loss recognized	**–**	86
Recovery of impairment loss previously recognised	**(37)**	–
At 31 December	**332**	369

(c) Trade receivables (net of impairment losses) which are past due but not impaired as follows:

	2015 **HK$'000**	2014 HK$'000
Less than 1 month past due	**4,184**	6,287
1 to 3 months past due	**996**	1,637
Total amounts past due but not impaired	**5,180**	7,924
Current	**24,492**	21,324
	29,672	29,248

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Trade payables	**10,201**	11,770
Other payables and accruals	**8,125**	4,262
	18,326	16,032

An ageing analysis of trade payables as at the end of the reporting period is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**4,576**	5,537
31 to 60 days	**3,553**	3,950
61 to 90 days	**1,370**	1,621
Over 90 days	**702**	662
	10,201	11,770

24. EMPLOYEE BENEFITS

Details of the employee benefits and movements thereof:

	Provision for long service payments	
	2015	2014
	HK$'000	HK$'000
At the beginning of the year	**19,526**	19,482
Exchange adjustments	**(728)**	(393)
Add: Additional provision made	**2,962**	2,086
Less: Reversal of provision	**(3,338)**	(1,649)
At the end of the year	**18,422**	19,526
Categorised as:		
Due after more than one year	**18,422**	19,526

The provision for long service payments of Hong Kong and the PRC employees is provided based on the actual number of years of services rendered by the employee and the relevant laws and regulations. The provision will be settled at the time when the respective employee was terminated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements thereof:

	Revaluation of leasehold land and buildings for own use HK$'000	Depreciation allowances in excess of the related depreciation HK$'000	Total HK$'000
At 1 January 2014	25,121	–	25,121
Debit to profit or loss *(note 10)*	–	2	2
Debit to other comprehensive income *(note 11)*	1,350	–	1,350
At 31 December 2014 and 1 January 2015	26,471	2	26,473
Debit to profit or loss *(note 10)*	–	11	11
Debit to other comprehensive income *(note 11)*	2,281	–	2,281
At 31 December 2015	**28,752**	**13**	**28,765**

The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$11,245,000 during the year (2014: HK$13,446,000) due to the unpredictability of taxable profits in the foreseeable future. The tax losses do not expire under current tax legislations.

No deferred tax liability has been recorded on temporary differences of approximately HK$13,184,000 (2014: HK$10,127,000) relating to the undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Group and Company	
	2015 HK$'000	2014 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
320,000,000 ordinary shares of HK$0.1 each	**32,000**	32,000

27. RESERVES

(a) Company

	Share premium *(note (c)(i))* HK$'000	Contributed surplus *(note (c)(v))* HK$'000	Accumulated losses *(note (c)(vi))* HK$'000	Total HK$'000
At 1 January 2014	57,099	89,606	(81,198)	65,507
Changes in equity for 2014:				
Dividends paid (note b(i))	–	–	(14,400)	(14,400)
Profit and total comprehensive income for the year	–	–	16,969	16,969
At 31 December 2014 and 1 January 2015	57,099	89,606	(78,629)	68,076
Changes in equity for 2015:				
Dividends paid *(note b(i))*	–	–	(14,400)	(14,400)
Profit and total comprehensive income for the year	–	–	11,974	11,974
At 31 December 2015	**57,099**	**89,606**	**(81,055)**	**65,650**

(b) Dividends

(i) Dividends paid during the year:

	2015 HK$'000	2014 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.025 (2014: HK$0.025) per ordinary share	**8,000**	8,000
Interim, declared and paid, of HK$0.02 (2014: HK$0.02) per ordinary share	**6,400**	6,400
	14,400	14,400

(ii) Dividend proposed during the year:

	2015 HK$'000	2014 HK$'000
Final, proposed, of HK$0.02 (2014: HK$0.025) per ordinary share	**6,400**	8,000

The final dividend for 2015 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming general meeting. It has not been recognised as a liability at the end of the reporting period.

27. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

The share premium account represents the excess of the nominal value of the ordinary shares issued by the Company and the net proceeds from the issuance of ordinary shares after deduction of the share issuing expenses.

(ii) Capital reserve

Capital reserve of the Group represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the reorganisation.

(iii) Property revaluation reserve

Property revaluation reserve represents gains/losses arising on the revaluation of properties held for own use.

(iv) Exchange reserve

The reserve represents the exchange difference arising from the translation of foreign operation. The reserve is dealt with accordance with the accounting policy set out in note 4(p).

(v) Contributed surplus

Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation.

(vi) Retained earnings/accumulated losses

Cumulative net gains and losses recognised in profit or loss.

Under the Companies Act 1981 of Bermuda (as amended), retained earnings and contributed surplus are distributable to owners of the Company, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of retained earnings and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

28. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

(a) Related party transactions included in the consolidated statement of comprehensive income:

	2015 **HK$'000**	2014 HK$'000
Datatronics Romoland, Inc. ("DRI")#		
Sales to DRI	**45,118**	63,333
Reimbursement of expenses to DRI	**11,663**	11,228

Mr. Siu Paul Y., a director of the Company, has beneficial interest in DRI.

(b) Related party balances included in the consolidated statement of financial position:

	2015 **HK$'000**	2014 HK$'000
Year-end balance included in trade receivables arising from sales of goods to DRI	**1,022**	1,153
Year-end balance arising from advanced payment due from related companies:		
– Data Express Limited*	**58**	48
– Citicheer Enterprise Inc**	**51**	71

* Mr. Siu Paul Y., a director of the Company, has beneficial interest in Data Express Limited.

** Mr. Siu Paul Y., a director of the Company, has beneficial interest in Citicheer Enterprise Inc.

(c) Key management personnel remuneration of the Group

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**11,485**	11,480
Post-employment benefits	**18**	17
	11,503	11,497

29. LEASES

Operating lease – lessee

The Group leased its office premises under operating leases during the year. The leases run for an initial period of 1 to 4 years. Lease payments are negotiated to reflect market rentals. There are no contingent rentals under the operating lease.

The lease payments recognised as an expenses are as follows:

	2015	2014
	HK$'000	HK$'000
Minimum leases payments	**449**	437

The total future minimum lease payments are due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**189**	189
In the second to the fifth year	**74**	149
	263	338

30. CAPITAL COMMITMENTS

There is no capital commitment as at 31 December 2015 (2014:Nil).

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Interests in subsidiaries		**113,606**	113,606
		113,606	113,606
Current assets			
Prepayments, deposits and other receivables		**102**	104
Cash and cash equivalents		**192**	160
		294	264
Current liabilities			
Amounts due to subsidiaries		**16,149**	13,693
Trade and other payables		**101**	101
		16,250	13,794
Net current liabilities		**(15,956)**	(13,530)
NET ASSETS		**97,650**	100,076
Equity			
Share capital	*26*	**32,000**	32,000
Reserves	*27*	**65,650**	68,076
TOTAL EQUITY		**97,650**	100,076

On behalf of the Board of Directors

Siu Paul Y.	**Shui Wai Mei**
Director	*Director*

32. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include, cash and cash equivalents, trade receivables and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The Group does not hold or issue derivative financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

As at 31 December 2015, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Trade receivables

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry and country in which customers operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group has a certain concentration of credit risk as approximately 26% (2014: 16%) and 70% (2014: 51%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In order to minimise risk, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on all customers periodically. These evaluations focus on the customer's past history of making payments when due and current liability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

32. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year as set out as below:

	2015 **HK$'000**	2014 HK$'000
Trade and other payables	**18,326**	16,032

(iii) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to cash flow interest rate risks as the Group has significant cash and cash equivalents which are interest-earning. The management monitors interest rate exposures and considered that there is no significant impact on cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets at the end of the reporting period:

	2015		2014	
	Effective interest rate **%**	**One year or less** **HK$'000**	Effective interest rate %	One year or less HK$'000
Cash and cash equivalents	**3.26%**	**340,457**	2.25%	463,808

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Fair value and cash flow interest rate risks (Continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately HK$1,021,000 (2014: HK$1,391,000). Other components of consolidated equity would not be affected (2014: HK$Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for cash and cash equivalents in existence at that date. The 30 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

(iv) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars, Renminbi, Euros and Pound Sterling. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	2015			
	United States dollars HK$'000	Renminbi HK$'000	Pound Sterling HK$'000	Euro HK$'000
Cash and cash equivalents	53,682	225,172	749	363
Trade and other receivables	6,834	–	6	–
Trade and other payables	(4,919)	(15)	–	–
Overall exposure arising from recognised assets and liabilities	55,597	225,157	755	363

32. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Currency risk (Continued)

(i) *Exposure to currency risk* (Continued)

	2014			
	United States dollars HK$'000	Renminbi HK$'000	Pound Sterling HK$'000	Euro HK$'000
Cash and cash equivalents	110,858	291,014	756	2,623
Trade and other receivables	11,669	–	6	–
Trade and other payables	(5,513)	(78)	–	–
Overall exposure arising from recognised assets and liabilities	117,014	290,936	762	2,623

(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates %	**Effect on profit after tax and retained earnings HK$'000**	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained earnings HK$'000
Renminbi	**3%**	**6,755**	3%	8,731
	(3%)	**(6,755)**	(3%)	(8,731)

Other components of consolidated equity would not be affected (2014: HK$Nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

32. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Currency risk (Continued)

(ii) ***Sensitivity analysis*** *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

The foreign exchange rates movement between Pound Sterling, Euro and Hong Kong dollars has insignificant impact to the results and financial positions of the Group.

(v) Fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. CAPITAL RISK MANAGEMENT

The Group regards the equity attributable to the Company's owners, comprising issued share capital, share premium, retained earnings and other reserves as its capital structure. The Group's objective when managing capital structure is to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Total debt is calculated as the total of trade and other payables and employee benefits. Capital includes equity attributable to owners of the Company.

	2015 **HK$'000**	2014 HK$'000
Total debt	**36,748**	35,558
Less: Cash and cash equivalents	**(340,457)**	(463,808)
Net debt	**(303,709)**	(428,250)
Equity attributable to the owners of the Company	**724,675**	723,270
Net debt and equity	**420,966**	295,020
Gearing ratio	**(72%)**	(145%)

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in notes 4(j)(i) and 4(j)(iii):

	Carrying amount and fair value	
	2015	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
– Cash and cash equivalents	**340,457**	463,808
– Trade receivables	**29,672**	29,248
– Deposits and other receivables	**1,929**	1,050
– Amount due from ultimate holding company	**63**	57
– Amounts due from related companies	**109**	119
	372,230	494,282
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**18,326**	16,032

The above financial instruments are not measured at fair value. Due to their short term nature, the carrying value of the above financial instruments approximates fair value.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2016.

FINANCIAL SUMMARY

For the year ended 31 December 2015

The consolidated statement of comprehensive income of the Group for the financial years 2011 to 2015 and the consolidated statements of financial position of the Group as at 31 December 2011, 2012, 2013, 2014 and 2015 are as follows:

	Year ended 31 December				
Results	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	263,353	262,606	284,038	301,593	**279,696**
Profit before taxation	48,821	33,319	36,344	35,674	**5,826**
Income tax	(4,521)	(214)	(3,003)	(3,036)	**(3,024)**
Profit for the year	44,309	33,105	33,341	32,638	**2,802**
Attributable to:					
Owners of the Company	44,309	33,105	33,341	32,638	**2,802**

	At 31 December				
Assets and liabilities	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	652,455	717,209	760,606	786,939	**791,593**
Total liabilities	(52,709)	(60,260)	(63,694)	(63,669)	**(66,918)**
Total equity	599,746	656,949	696,912	723,270	**724,675**

Major land held by the Group

Location	**Existing use**	**Term of lease**	**Percentage of interest**
78 Marble Road 499 King's Road North Point Hong Kong	Office	Medium term	100%
Overseas building			
A parcel of industrial land at the Old Guang-Zhu Highway, Lun Jian Town Shunde District Fushan City Guangzhou, Guangdong Province The People's Republic of China	Industrial	Medium term	100%