Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 833

Annual Report

2016

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. FAN, William Chung Yue
Mr. LAU Fai Lawrence

Independent Non-executive Directors

Mr. PANG Kwong Wah
Mr. YAU Ming Kim, Robert
Mr. YEN Yuen Ho, Tony

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

INDEPENDENT AUDITOR

Ernst & Young

AUDIT COMMITTEE

Mr. PANG Kwong Wah *(Chairman)*
Mr. YAU Ming Kim, Robert
Mr. YEN Yuen Ho, Tony

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

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

WEBSITE

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

On behalf of the board (the "Board") of directors (the "Directors") of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2016.

BUSINESS REVIEW

The year 2016 was a remarkable year for the Group both in terms of turnover and profit. Total revenue for the year had increased by 15%, from HK$886.3 million to HK$1,023.6 million. Net profit attributable to owners of the parent had increased by 73% from HK$41.4 million to HK$71.8 million. The increase in overall profitability was mainly due to the continuing control over production costs and overheads and improvement in production efficiency. The devaluation of Renminbi against Hong Kong dollars had also helped to lower the material costs and production overheads. On the other hand, there was no impairment on goodwill made for the year, compared to an impairment on goodwill for the biodiesel business segment of HK$8.3 million being made in prior year.

In terms of business segment, total revenue from electronic products segment had remained strong and had increased from HK$877.1 million to HK$1,015.9 million. Sales of the Group's major product, irrigation controllers, had increased by HK$44.9 million and the sales of walkie-talkie products had increased by HK$36.2 million. The demand for the Group's other electronic products also remained strong during the year.

Regarding the LED energy saving business segment, as of 31 December 2016, the Group had completed the installation work and inspection procedures at over 200 retail stores of Suning Commerce Group Co., Ltd. ("Suning"), and about another 400 retail stores had completed the installation work pending for completion of the inspection procedures. The Group had completed the installation work and inspection procedures at two hotels operated by HNA Group Co., Ltd. and had received energy saving revenue from these two hotels.

United States continued to be the major market for the Group's products and accounted for over 50% of the total revenue for the year.

PROSPECTS

Although the global economy in 2017 will still be uncertain, I have confidence to tackle the challenges by continuously exploring new markets and new customers to broaden the customer base of the Group and to expand the revenue stream. New products will be launched in 2017.

During the year, the Group had increased its investment in P2 Mobile Technologies Limited ("P2MT") and it is accounted for as an associate of the Group in the consolidated financial statements. The investment in P2MT is for the long term strategic development in the Wi-Fi equipment manufacturing business.

Regarding the energy saving business segment, the Group will continue the installation work at other retail stores of Suning and to strive to enter into new energy management agreements with other hotels operated by the HNA Group Co., Ltd..

As of 31 December 2016, the Group has already installed about 80 energy efficient gas stoves for its customers in Hong Kong. The Group will allocate more resources to expand its energy efficient gas stoves business in 2017.

During the year, the Group's 49% owned associate, Yichun Yilian Print Tech. Co. Ltd. ("Yichun Yilian"), had set up two branch offices at Beijing and Wuhan, so as to establish sales network in China and to develop application software for remote access to printers. I expect the operations of Yichun Yilian will be profitable in 2017.

CHAIRMAN'S STATEMENT

In July 2016, the Group has relocated its head office in Hong Kong to 4th Floor, Citicorp Center, 18 Whitfield Road, Hong Kong, which was acquired by the Group in January 2016. In January 2017, the Group had completed the acquisition of the entire interest in a shopping mall located at Beijing, known as "Pretty Shopping Centre". The Pretty Shopping Centre is held for investment purposes and will generate stable source of revenue to the Group in future. The Group will continue to look for new investment opportunity so as to diversify its business and to provide a better return to all shareholders.

In order to broaden its shareholder base, the Company has introduced China Huarong Asset Management Co., Ltd. ("China Huarong") as one of its strategic shareholder during 2016. Relying on the strong financial position and prominent background and business connections of China Huarong in China and in Hong Kong, I believe that this will offer the Group with more business opportunities both in China and in Hong Kong and also enhance the Group's borrowing power and fund raising ability, at comparatively more favourable terms, to finance any of the Group's future investment opportunities, if required.

DIVIDEND

The Board recommends a final dividend of HK8.0 cents per ordinary share, together with the interim dividend of HK5.0 cents per ordinary share paid in October 2016, the total dividend for the year will be HK13.0 cents per ordinary share. The Board believes that after the payment of the proposed final dividend, the financial position of the Group remains to be strong and the Group still has sufficient liquid funds to finance its operations and to prepare for future growth.

In appreciation of the continuous support from our shareholders, the Board also recommends to make a bonus issue of eight new shares credited as fully paid for every ten shares held by the shareholders of the Company, subject to the approval of the shareholders at the forthcoming annual general meeting.

APPRECIATION

On behalf of the Board, I would like to thank the management team and all of our staff for their hard work and contribution in the past year. I would also like to take this opportunity to express our warmest welcome to Mr. Yen Yuen Ho, Tony and Mr. Lau Fai Lawrence for joining the Board since 12 August 2016 and 1 March 2017 respectively.

Lastly, I wish to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 30 March 2017

FINANCIAL REVIEW

Revenue

Total revenue for the year ended 31 December 2016 had increased by 15.5% to HK$1,023.6 million, as compared to HK$886.3 million for the year 2015. The revenue analysis by business segment for the two years ended 31 December 2016 and 2015 respectively are as follows:

	2016	2015
	HK$'000	HK$'000
Revenue from sales of electronic products	**1,015,877**	877,053
Revenue from sales of biodiesel products	**3,084**	5,464
Revenue from energy saving business	**4,589**	3,788
	1,023,550	886,305

Sales of electronic products comprise sales of finished electronic products; plastic moulds; plastic and other components for electronic products. The increase in total sales revenue from electronic products was mainly due to the strong demand for the Group's finished electronic products, which had increased from HK$642.8 million in 2015 to HK$746.9 million in 2016. During the year, the sales revenue from the Group's major product, irrigation controllers, had increased by HK$44.9 million and the sales revenue from walkie-talkie products had increased by HK$36.2 million. Total sales revenue from components for electronic products, including transformers and adapters, had increased from HK$141.3 million in 2015 to HK$169.5 million in 2016. On the other hand, sales revenue from plastic moulds and plastic components for electronic products had increased slightly from HK$93.0 million in 2015 to HK$99.5 million in 2016.

The sales revenue from biodiesel products had dropped from HK$5.5 million in 2015 to HK$3.1 million in 2016. During the year, the demand for the Group's biodiesel products had remained at low level.

Regarding the energy saving business segment, total revenue recognised during the year 2016 was HK$4.6 million, as compared to HK$3.8 million in 2015. During the year, the LED lighting equipment project (the "Suning EMC Project") with Suning Commerce Group Co., Ltd. ("Suning") continued and over 200 retail stores of Suning had completed the installation work but pending completion of the inspection procedures. Energy saving revenue from these stores will be recognised when the inspection procedures are completed. As of 31 December 2016, the Group had completed the installation work at over 600 Suning retail stores in aggregate. The Group will continue the installation work at other Suning retail stores in 2017.

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 51.5% of the total revenue for the year (2015: 51.5%). Sales to customers in Hong Kong had increased by HK$33.0 million while sales to customers in Europe had increased by HK$36.3 million. Sales to other geographical locations had remained stable. The Group will continue its efforts to secure new customers in different markets so that the revenue by geographical location can be spread more evenly.

Gross profit

The overall gross profit margin had improved from 18.0% for the year 2015 to 20.9% for 2016. The increase in overall gross profit margin was mainly due to the devaluation of Renminbi against United States dollars and Hong Kong dollars; and the Group's continued effort to tighten the controls over production costs and overheads and to improve production efficiency so as to maximise the gross profit margin.

Operating expenses and other gains/losses

During the year, total administrative expenses had increased from HK$83.8 million in 2015 to HK$104.5 million in 2016. The increase was mainly due to the increase in directors' remuneration and employee benefit expense by approximately HK$16.9 million as a result of annual increment, the depreciation charge of approximately HK$6.2 million for the leasehold property in Hong Kong acquired in January 2016 as head office of the Group, and approximately HK$3.5 million transaction costs incurred in relation to the acquisition of Pretty Shopping Centre. Finance costs had increased by HK$3.4 million which was mainly due to the interest paid for mortgage loan and increase in total borrowings. In 2015, there was a fair value gain on derivative financial instruments of HK$8.0 million, and the fair value gain for the year 2016 was HK$3.9 million only. On the other hand, there was an impairment of HK$8.3 million on goodwill for biodiesel business segment made during the year 2015 but no such impairment is required for the year 2016.

Profit attributable to owners of the parent

Net profit attributable to owners of the parent for the year was HK$71.8 million, compared to HK$41.4 million for 2015. The increase was mainly due to the increase in sales revenue generated during the year and the improvement in gross profit margin.

PRODUCTION FACILITIES

The Group currently has three production facilities in China for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yangxi. During the year, the Group spent approximately HK$5.2 million to acquire plant and machinery to enhance its production capacity.

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

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2016, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK$329.9 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2016, total borrowings of the Group amounted to HK$326.8 million, comprising bank overdrafts of HK$3.8 million, bank loans of HK$319.7 million, trust receipt loans of HK$1.5 million, and obligations under finance leases of HK$1.8 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for each of these borrowings at 31 December 2016 ranged from approximately 2.5% to 6.2% per annum.

The Group's trade receivable turnover, inventory turnover and trade payable turnover for the year were approximately 53 days, 92 days and 82 days respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 31 December 2016, the Group's total current assets had increased by 35.0% to HK$792.3 million compared to HK$587.0 million as at 31 December 2015, and the Group's total current liabilities had increased by 65.4% to HK$600.7 million compared to HK$363.2 million as at 31 December 2015. The current ratio (current assets/current liabilities) as at 31 December 2016 was 1.32 times, compared to 1.62 times as at 31 December 2015. The drop in current ratio was mainly due to the increase in mortgage loan and other bank borrowings as included in current liabilities at 31 December 2016.

Pursuant to a subscription agreement dated 17 August 2016 and a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 20 October 2016, the Company has allotted and issued 52,562,020 new ordinary shares on 3 November 2016, under specific mandate, at HK$1.49 per share, to an independent third party, Lijiang Investment Holdings Limited. The closing price per ordinary share as quoted on the Stock Exchange on 17 August 2016 was HK$2.99. Net proceeds from the issue of these new shares amounted to approximately HK$77.9 million.

Pursuant to a subscription agreement dated 31 October 2016 and a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 13 December 2016, the Company has allotted and issued 23,437,980 new ordinary shares on 19 December 2016, under specific mandate, at HK$1.49 per share, to an independent third party, Wealth Channel Global Limited. The closing price per ordinary share as quoted on the Stock Exchange on 31 October 2016 was HK$2.82. Net proceeds from the issue of these new shares amounted to approximately HK$34.6 million.

During the year, the Company had not issued any other new shares and had not bought back any of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At 31 December 2016, the Company had in issue a total of 525,620,200 ordinary shares.

At the annual general meeting held on 7 June 2016, the shareholders of the Company had adopted a new share option scheme (the "2016 Share Option Scheme"). During the year, there were no share options granted, exercised, lapsed or cancelled under the 2016 Share Option Scheme. As at 31 December 2016, the Company did not have any share options outstanding.

USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

Share subscriptions under specific mandates

(1) According to the Company's circular dated 29 September 2016, the net proceeds from the subscription of 52,562,020 new ordinary shares by Lijiang Investment Holdings Limited was estimated to be approximately HK$77.9 million which was intended to be used for: (i) as to approximately HK$20 million for expansion of the Group's electronic business in the PRC; (ii) as to approximately HK$10 million for investment in the Group's LED energy saving business in the PRC; (iii) as to approximately HK$20 million for repayment of outstanding bank borrowings; and (iv) the remaining balance of approximately HK$27.9 million as general working capital for the Group's principal business and for future investment opportunities should the same arise.

As at the date of this report, HK$20 million has been utilised as intended for the expansion of the Group's electronic business in the PRC; HK$10 million has been utilised as intended for investment in the Group's LED energy saving business in the PRC; HK$20 million has been utilised as intended for repayment of bank borrowings and HK$27.9 million has been utilised as intended for general working capital of the Group.

(2) According to the Company's circular dated 25 November 2016, the net proceeds from the subscription of 23,437,980 new ordinary shares by Wealth Channel Global Limited was estimated to be approximately HK$34.6 million which was intended to be used for: (i) as to approximately HK$20 million for repayment of outstanding bank borrowings; and (ii) the remaining balance of approximately HK$14.6 million as general working capital for the Group's principal business and for future investment opportunities should the same arise.

As at the date of this report, HK$14.6 million has been utilised as intended for general working capital of the Group. The remaining amount of HK$20 million was not utilised and will be used as intended for repayment of bank borrowings.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2016 was HK$329.9 million, which had increased by HK$133.1 million compared to the balance at 31 December 2015.

The net cash generated from operating activities for the year was HK$73.0 million. The net cash used in investing activities amounted to HK$185.7 million, which was mainly due to HK$209.3 million paid for the acquisition of property, plant and equipment; and HK$10.2 million paid for the investment in associates.

On the other hand, there was a net cash inflow of HK$252.5 million from financing activities. During the year, new borrowings of HK$306.4 million were obtained and HK$123.5 million was used to repay borrowings and finance leases, and HK$45.0 million was paid to shareholders as dividends. Net proceeds of HK$112.7 million had been received from new shares allotted and issued during the year.

CAPITAL EXPENDITURE

During the year, the Group acquired property, plant and equipment at a total cost of HK$209.3 million, mainly financed by mortgage loan and internal resources of the Group.

PLEDGE OF ASSETS

At 31 December 2016, the Group had total bank borrowings (excluding obligations under finance leases) of HK$325.0 million, out of which HK$88.2 million were secured by leasehold property of HK$185.8 million, short-term bank deposits of HK$8.7 million and trade receivables of HK$3.1 million.

GEARING RATIO

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

As at 31 December 2016 and 31 December 2015, the Group did not have a net debt position. However, the Group will have a net debt position after the acquisition of the "Pretty Shopping Centre".

CONTINGENT LIABILITIES

At both 31 December 2016 and 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2016, the Group had 2,880 employees, of which 76 were employed in Hong Kong and 2,804 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total employee benefit expense, excluding directors' and chief executive's remuneration, incurred by the Group for the year amounted to HK$194.5 million.

The Company has adopted the 2016 Share Option Scheme at the annual general meeting held on 7 June 2016. The 2016 Share Option Scheme has a term of 10 years and will expire on 6 June 2026. The 2016 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

During the year, no share options had been granted, exercised, lapsed or cancelled under the 2016 Share Option Scheme. As at 31 December 2016, there were no share options remained outstanding under the share option scheme.

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

FOREIGN EXCHANGE EXPOSURE

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

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, the Group may enter into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. As at 31 December 2016, the Group did not have any outstanding forward foreign exchange contracts for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. Management will continue to evaluate the Group's foreign currency exposure and take actions as appropriate to minimise the Group's exposure whenever necessary.

OUTLOOK

Electronic products segment

In view of the unstable global political environment and the risk on increasing interest rate, the Group foresees that the global economic environment in 2017 will remain uncertain. Factors such as the risk of fluctuation of exchange rate of Renminbi against United States dollars and Hong Kong dollars; the potential rise in interest rate; the fluctuation in raw material costs and commodities prices; and the risk of global inflation will continue to be the critical elements affecting the performance of the Group's electronic products segment. However, the Group has confidence to meet all these challenges and expects that the demand for the Group's electronic products will remain strong in 2017. The Group will continue its efforts to tighten controls over production costs and overheads, and to improve production efficiency so as to maximise the gross profit margin.

In terms of geographical market, the sales to United States customers accounted for over 50% of the total sales for the year. The Group foresees that United States will still be the major market for its products in 2017. The Group will continue to devote efforts to explore new markets and new customers to broaden its customer base.

Regarding the 49% owned associate established in the PRC for the manufacture and sale of printers and other accessory products, it had set up two branch offices at Beijing and Wuhan during the year. These branch offices were set up to establish sales network in the PRC and for the development of application software to enable remote access to printers. The Group expects that the contribution from this associate will increase during 2017.

The Wi-Fi equipment and medical equipment manufactured by the Group are still under the testing stage and product samples had been sent to potential customers for evaluation and approval. The Group expects that these products will generate new revenue stream in future. On the other hand, the Group also expects the demand for its major products, irrigation controllers and walkie-talkie products, will remain strong and new electronic products will also be launched in 2017.

Biodiesel products segment

The demand for the Group's biodiesel products remained at low level during the year. The Group expects that the demand for biodiesel products will remain at low levels in 2017.

As of 31 December 2016, about 80 energy efficient gas stoves had been installed for customers in Hong Kong. In 2017, the Group will allocate more resources on the energy efficient gas stoves business and will continue the installation of energy efficient gas stoves to other customers.

Energy saving business segment

Regarding the Suning EMC Project, as of 31 December 2016, the Group had completed the installation work and the inspection procedures at over 200 retail stores of Suning, and about 400 retail stores of Suning had already completed the installation work pending for completion of the inspection procedures. The Group will continue the installation work at other retail stores of Suning in 2017. The Group will also continue its negotiation with HNA Group Co., Ltd. for the provision of energy saving business solutions to other hotels managed by HNA Group Co., Ltd.

Property segment

On 24 January 2017, the Group has completed the acquisition of the shopping mall known as "Pretty Shopping Centre" located at Beijing, the PRC. This property will be accounted for as an investment property of the Group and the performance of this new business segment will be included in the Group's interim report for the six months ending 30 June 2017. The acquisition will strengthen the Group's financial position and diversify its income stream in the long run. In order to increase the return to shareholders, the Group is considering alternatives to maximize the rental income from this investment property, including carrying out renovation to increase its rental rate and rentable area.

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

DIVIDEND

The Board proposes the payment of a final dividend of HK8.0 cents per share. Together with the interim dividend of HK5.0 cents per share paid in October 2016, the total dividends paid or payable for the year 2016 will be HK13.0 cents per share. All dividends are paid in cash from funds generated from the Group's operations. The Group will have sufficient funds for its future expansion after the payment of dividends.

The proposed final dividend of HK8.0 cents per share will be payable to shareholders whose names appear on the register of members of the Company on 9 June 2017. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the final dividend will be payable on or about 23 June 2017.

ISSUE OF BONUS SHARES

The Board proposes to make a bonus issue of eight new shares credited as fully paid for every ten shares held by the shareholders of the Company whose names appear on the register of members of the Company on 9 June 2017. The proposed bonus issue is subject to approval by the shareholders at the forthcoming annual general meeting, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be dispatched on or about 23 June 2017. For further details, please refer to the separate announcement of the Company relating to the bonus issue dated 30 March 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2017 to 1 June 2017 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the annual general meeting to be held on 1 June 2017 (the "AGM"), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 25 May 2017.

The register of members of the Company will also be closed from 7 June 2017 to 9 June 2017 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend and bonus issue (subject to shareholders' approval at the AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 6 June 2017.

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 70, is an executive Director and the Chairman of the Company. Being the founder of the Group, Mr. Lam has over 40 years of marketing experience in the electronic industry and he is responsible for the Groups' overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years. Mr. Lam is the spouse of Ms. Yeung Po Wah and the father of Mr. Lam Chee Tai, Eric.

Ms. Yeung Po Wah (楊寶華), aged 67, is an executive Director of the Company. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department. Ms. Yeung is the spouse of Mr. Lam Yin Kee and the mother of Mr. Lam Chee Tai, Eric.

Ms. Liu Jing (劉靖), aged 44, was appointed as an executive Director of the Company from 5 March 2016. Ms. Liu completed the studies for Master Degree in Finance, Trade and Economics at the Graduate School of Chinese Academy of Sciences, and is a senior accountant and a member of The Chinese Institute of Certified Public Accountants. Ms. Liu is currently an executive director of Beijing Extraordinary Leading Investment Management Co. Ltd., and is responsible for financial administration. Ms. Liu has over twenty years' experience in corporate strategic development, business operation management and finance, and has over six years' experience in management of investment funds. During the period from July 1994 to July 2009, Ms. Liu held various positions in HNA Group Co. Ltd. and its affiliates, including assistant general manager, general manager and chief financial officer, and was responsible for financial, investment and corporate finance activities of the group. During the period from July 2009 to July 2012, Ms. Liu set up Shanghai Rich-yield Investment Management Centre (Limited Partnership) with other founders, and was responsible for its investment and corporate finance activities.

Mr. Lam Chee Tai, Eric (林子泰), aged 37, was appointed as an executive Director of the Company on 30 March 2012. Mr. Lam holds a Bachelor Degree in Commerce (Marketing) and a Master Degree in Business Systems from Monash University, Australia. Mr. Lam joined the Group as an assistant Marketing Manager in June 2004 and is currently the General Manager of a major subsidiary of the Group. Mr. Lam has extensive experience in production and customer management and is mainly responsible for the overall supervision of the Group's manufacturing operations in China and for business development in China market. Mr. Lam is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah.

Mr. So Kin Hung (蘇健鴻), aged 60, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 25 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Non-Executive Directors

Mr. Fan, William Chung Yue (范仲瑜), aged 76, is a non-executive Director appointed by the Group in June 2005. Mr. Fan is a solicitor in Hong Kong and has officially retired in April 2013. He is also a non-executive director of Chinney Investments, Limited since 1987 and an independent non-executive director of National Agricultural Holdings Limited since January 2015, both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Lau Fai Lawrence (劉斐), aged 45, is a non-executive Director appointed by the Group effective from 1 March 2017. Mr. Lau is currently a practising certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lau graduated from The University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007.

Mr. Lau joined BBMG Corporation (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (Stock Code: 2009) on 6 August 2008 as joint company secretary and qualified accountant. Since 26 October 2012, Mr. Lau serves as the company secretary of BBMG Corporation. Before joining BBMG Corporation, Mr. Lau has served as the group financial controller and qualified accountant of Founder Holdings Limited (Stock Code: 418) and Peking University Resources (Holdings) Company Limited (Stock Code: 618), both companies are listed on the Main Board of the Stock Exchange. Mr. Lau is an executive director of Future World Financial Holdings Limited (Stock Code: 572, previously known as "Central Wealth Financial Group Limited"), being a company listed on the Main Board of the Stock Exchange. Mr. Lau is also an independent non-executive director of Artini China Co. Ltd., (Stock Code: 789), Titan Petrochemicals Group Limited (Stock Code: 1192) and Topsearch International (Holdings) Limited (Stock Code: 2323) respectively, all of these companies are listed on the Main Board of the Stock Exchange.

Independent Non-Executive Directors

Mr. Pang Kwong Wah (彭廣華), aged 71, is an independent non-executive Director appointed by the Group in June 2013. Mr. Pang graduated from the University of Southern California in the United States of America with a Master of Business Administration and has extensive experience in finance and administration, business and general management. Mr. Pang was a principal of corporate services division of an international audit firm during 1985 to 1988 and had held senior positions including the chief operating officer and chief executive officer of a listed company in Hong Kong during 1988 to 2002. Mr. Pang was also a non-executive director of a listed company in Hong Kong during 2004 to 2005.

Mr. Yau Ming Kim, Robert (丘銘劍), aged 78, is an independent non-executive Director appointed by the Group in September 2009. Mr. Yau graduated from Wah Yan College and has extensive experience in the textile and clothing industry and worldwide trade affairs. He served as a trade officer in the Hong Kong Government from 1964 to 1971. In 1970, he was seconded to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as "World Trade Organisation") in Geneva, Switzerland and was awarded GATT Fellowship. Mr. Yau had held senior positions including chief executive and managing director of various major international and local apparel companies since 1971. In addition, from 1998 to 2004, he was appointed as the vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Yen Yuen Ho, Tony (嚴元浩), aged 69, is a solicitor of Hong Kong and the United Kingdom. He is also a barrister and solicitor of Australia. From August 1994 to March 2007, he was the Law Draftsman of the Department of Justice of Hong Kong. He was also a member of the Hong Kong Government's Law Reform Commission. Mr. Yen was conferred the Silver Bauhinia Star Medal by the Hong Kong Government in 2000. Currently, he is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University. Mr. Yen is an Honorary Court Member of the Hong Kong University of Science and Technology and an Honorary Fellow of the Faculty of Education, University of Hong Kong. He is the director of two secondary schools, the Vice President of the Neighbourhood Advice Action Council and a member of Heep Hong Society's Executive Council. He is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing. From April 2009 to April 2015, Mr. Yen was the vice chairman of the Hong Kong Government's Social Welfare Department Lump Sum Grant Independent Complaints Handling Committee. Since January 2013, he has been a member of the Hong Kong Government's Panel of Review Board on School Complaints.

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

PUBLIC SANCTION

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

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 66, is a co-founder of a major subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Lam On Bong (林安邦), aged 65, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 30 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 64, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (梁福祥), aged 53, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

SCOPE

The reporting period of this Environmental, Social and Governance Report is from 1 January, 2016 to 31 December, 2016 (the "Reporting Period"). The content covers the operation of the Group's office in Hong Kong and the main factory in Shenzhen (at the leaf side of Guangtian Road, Tangxiayong Community Songgang Street, Bao'an District, Shenzhen City, Guangdong Province, China) for manufacturing and sales of electronic products. This report is prepared pursuant to the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 of the Listing Rules issued by the Stock Exchange, and it is published once a year.

COMMUNICATION WITH SHAREHOLDERS

The annual shareholders' meeting of the Group offers an effective platform for idea exchange between the Board of Directors and the shareholders. In addition to the shareholders' meeting, this Group, with an aim to keep a close relation with clients, suppliers and other stakeholders, maintains communication with all stakeholders from time to time through visit, teleconference or meeting (such as the retrospective meeting on the quality of suppliers at delivery time), mails and e-mails, and follow-ups made by marketing staff, so as to learn about their opinions and demands. The Group's overall performance is also reported to all investors in its annual report.

PERFORMANCE ON ENVIRONMENT, SOCIETY AND GOVERNANCE

Environment

Emissions

Used the equipment emitting less exhaust gas

In consideration of exhaust gas produced by the existing diesel oil-based water heater when burning diesel oil, the solar energy and heat pump water heaters have been installed to replace them in the Group's factory in Shenzhen. In addition, the factory in Shenzhen also has introduced the full-automatic welding machine, inside which an enclosed exhaust ventilator is fitted to remove the welding gas to keep air clean in the workshop.

Policy on reduction of wastes during operation

As part of the efforts to reduce wastes, the Group' factory in Shenzhen has collected the discarded and remaining metal materials for other production use. While for Hong Kong office, the wastes are mainly waste papers. The Hong Kong office has adopted a 4R principle, that is, to reduce paper waste by means of reduction, reuse, recycle and replacement.

Policy on reduction of packaging wastes

On the premise that the Group's requirements are met, Shenzhen factory has reduced the use of plastic packaging materials in production, thus reducing wastes.

Policy on recycling of solid wastes

In Shenzhen factory, the recycling bins with definite marks have been installed to ensure that the aluminium cans and waste papers are sorted out from other wastes, and are then collected and sent to a recognized recycling company for recycling.

Policy on reduction of hazardous wastes

The Group attaches great importance to the generation of hazardous wastes and regularly assesses the production flow to find out their sources, and then works out an action plan to reduce hazardous wastes, for example, in Shenzhen factory, the rosin to be ultrasonically cleaned with industrial machine-washing water has been replaced with an environment-friendly no-clean rosin for the machine panel saw. As a result, a large number of hazardous wastes produced with the industrial machine-washing water are reduced every year.

Reduction of greenhouse gas emission

Cut-down of business trips

The Group understands that a long-distance journey may increase the energy consumption during business trips, and cause elevated carbon emission, so Shenzhen factory has tried to cut down business trips or avoided conferences needing a long journey, thus reducing carbon emission arising from long business trips. While for Hong Kong office, the business trips are not required basically due to the job nature.

Support for purchasing from local suppliers

On the premise that the Group's requirements are met, the local suppliers are preferred to shorten shipment time and distance, thus reducing the carbon emission.

The Group has strictly complied with the relevant laws and regulations on environmental protection, and has not been charged against any violation of such laws and regulations during the Reporting Period.

Natural resources utilization

The Group takes the appropriate measures to improve the efficiency on the use of natural resources as it understands that the natural resources on the earth are limited. Those measures include:

Energy conservation

To save energy on the whole, the Group has called for electrical energy conservation and use of low power consumption equipment. The following are several examples of energy conservation in the Group. The Group's factory in Shenzhen has obtained the Clean Production Certificate. The clean production items include the replacement of manual soldering tin with the full-automatic soldering tin machine, which can increase the accuracy of spot welding in a full-automatic form and avoid the tin blocking caused by manual soldering tin that can decrease the efficiency, thus reducing the idle period and energy waste. The factory has added a protocol – "Improve MC-1019 Production Line" in March 2016 to optimize the production process and improve the hourly production capacity from 240 to 500 pieces, thus improving the efficiency and saving energy.

Furthermore, both Shenzhen factory and Hong Kong office have adopted the use of LED lamps, which are newly LED energy-saving lamps that can save more electricity than ordinary lamps.

Water conservation

No water is needed in the production of the Group's factory, and the water consumption is mainly the daily water use among employees. The Group has practiced a water conservation concept among its employees and strengthened the maintenance, inspection and management of water-consuming equipment to achieve a purpose of water conservation. The Shenzhen factory launched a large inspection activity for "Leakage of Water Pipes" to completely prevent water leakage and reduce waste of water.

Conservation of office resources

The Group office had used a large number of papers and most of them were used for single-sided printing. In order to reduce paper use, the Group has changed the single-sided printing to double-sided printing, and has called for a paper-free office, namely, the printed copies are replaced with electronically stored files and database so as to achieve a green office.

Environmental and natural resources

The Group has learned about the concern on environmental protection topic from the society and clients, and has encouraged green operation and purchasing policies:

Policy on green purchasing and selecting of environment-friendly materials

On the premise that the Group's requirements are met, it is preferred to select and use the environment-friendly materials.

Since 2012, the Shenzhen factory has implemented a full environmental protection process and applied environment-friendly materials, techniques and equipment, thus reducing or eliminating poisonous and harmful substances, reducing the impact on the environment and making the products meet the requirements of RoHS, REACH and Halogen Free.

Policy on green operation

The Group has actively engaged in and launched clean production activities, and the Shenzhen factory has obtained the Clean Production Certificate. To cooperate with the green operation in the factory, the following green operation programs have been implemented in the factory during the Reporting Period.

1. The program "add a new SMT lead-free production line" has been added to achieve a lead-free production.

2. The program "full-automatic soldering tin machine" has been added to increase the accuracy of spot welding in a full-automatic form and avoid the tin blocking caused by manual soldering tin that can decrease the efficiency, thus reducing the idle period and energy waste. In addition, an enclosed exhaust ventilator inside can keep air clean in the factory.

3. The factory added a program - "Improve MC-1019 Production Line" in March 2016 to optimize the production process and improve the hourly production capacity from 240 to 500 pieces, thus improving the efficiency and saving energy.

4. The environment-friendly air conditioners have been used, with their advantages as high speed start-up and refrigeration as well as more power-saving. The environment-friendly air conditioner that can adjust the room temperature to an appropriate level as well as the fan can make people feel comfortable, thus saving more electricity than traditional centralised air-conditioner. This equipment has been used in the third floor of factory and the staff dormitories.

5. The diesel oil-based water heaters have been replaced with renewable energy (solar energy) and heat pump water heaters, reducing greenhouse gas emission.

Environmental protection training for employees

The Group attaches importance to the environmental protection training for its employees. In the first quarter of every year, the Human Resources Department of Shenzhen factory organizes all departments to put forward their demands for annual training, and works out a "List of Annual Training Demands", which is distributed to the relevant departments after being approved by the general manager, so as to provide the environmental protection training to employees of all departments according to this list.

Promotion on environment protection in supply chain

When meeting with the stakeholders, the Group often stresses the importance of "carbon emission reduction", and introduces the merits of its products towards environmental protection in the product promotion booklets, for example, the products meet the requirements of RoHS, REACH and Halogen Free and are controlled for harmful and poisonous substances.

Society

Employment

In addition to observing the local employment laws and regulations, the Group has also worked out a series of employment policies to ensure that the employees are treated equally and properly.

Policy on fair recruitment and anti-discrimination

The Group has established policies on fair recruitment and anti-discrimination. All employees are treated equally without discrimination. According to the staff rules and regulations, the employees recruited in Shenzhen factory are not discriminated against their differences in nationality, race, sex, language and religious belief. The office in Hong Kong has fully complied with the laws and regulations of Hong Kong regarding employment policies, including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance.

Policy on fair promotion

The Group considers the fair promotion in employees as an important link. The criterion for staff promotion is that what matters is their ability and performance, instead of sex, race, physical condition or other factors.

Policy on Compensation

In case of any casualties, the Group will, according to the legal requirements, make reasonable compensation to employees and their families.

Policy on retirement

The Group handles all matters concerning retirement according to the relevant provisions of national laws and local regulations. Shenzhen factory provides and pays social insurance for its employees pursuant to laws as well as the staff rules and regulations. In Hong Kong office, the employees can retire at the age of 65 and receive the retirement benefits.

Employee benefits

I. According to the relevant provisions of national laws and local regulations, Shenzhen factory pays salaries no less than the minimum wage level, and offers statutory holidays and annual leave with pay, and also pays social insurance for employees.

II. Provision for staff canteen

1. The staff canteen is a full air-conditioned eating environment, and is bright and spacious and well equipped with clean tables and chairs as well as full sets of stainless steel kitchenware. The professional chefs are hired to serve meals and the canteen can accommodate all the employees.

2. The staff canteen is fully air-conditioned and managed by a specially-assigned person.

3. The food expenses of employees are shared by employees and the company collectively.

III. Staff dormitory

1. The staff dormitory is located in the living quarter of the factory, where the environment is elegant, comfortable, tidy and safe. The company has an improved dormitory management system, and all dormitories are managed by a specially-assigned person and equipped with adequate firefighting equipment, therefore, the company provides a safe and comfortable place for its employees.

2. The company allocates dwelling houses to employees according to the relevant provisions, position level of employees and practical situation of the company.

Hong Kong office offers all statutory holidays as stipulated in the Employment Ordinance of Hong Kong. In addition, all employees are entitled to paid annual leave. The employees who work over one year are provided with 10-day annual leave, and the paid annual leave will increase with years of working to a maximum of 17 days.

The Group has strictly complied with the relevant laws and regulations on employment, and has not been charged against any violation of such laws and regulations during the report period.

Health and safety

The Group has been committed to achieve zero accident, and has taken various measures to protect employees from occupational disease and industrial injury and casualties.

Occupational Health and Safety Policy

The guiding principle that the Group uses to safeguard occupational health and safety is to establish and improve the system on labour safety and health. Shenzhen factory strictly enforces the national rules and standards on labour safety and health, and provides education about such knowledge to workers to prevent accidents during work and reduce occupational hazards.

Safety management in workplace

The Group takes the workplace safety very seriously. Shenzhen factory formulates the following safety regulations according to the internal provisions on labour safety and health:

1. Only the trained and qualified employees are allowed to operate machines, equipment or transport facilities, while non-professional persons are not allowed to operate with machines.

2. All employees should work as per the correct working procedure and safety regulations. All operators should operate the machinery equipment with caution and shall not touch the moving parts of machine before it completely stops.

3. Before cleaning, repairing or adjusting machines, the operators must check whether the machine is stopped completely and the electric brake is switched off.

4. If anyone is found to operate without following the safety rules or in case of any accidents or injuries, then such violation behaviour or accidents or injuries must be reported to the direct supervisor or manager immediately.

5. Any faults to the production equipment or living facilities should be reported and repairing without permission is not allowed.

6. All employees must use safety protective equipment as specified when performing dangerous operations.

7. All employees are required to wear safety goggles and take necessary safety measures when sawing, drilling, cutting or welding.

8. Without permission, no employees are allowed to enter any dangerous areas marked with "Access Prohibited".

9. All employees should recognize the label to avoid danger when using chemicals.

10. No one is allowed to remove the safety shields in machinery parts or in other places without permission of the manager and director of the department concerned.

11. When driving motor vehicles in the factory, all operators must fasten the safety belt, and should take care when lifting or carrying dead weight cargos.

12. The factory is equipped with a medical room to provide immediate treatment for injured employees.

Work safety training for employees

The Group is responsible to offer employees with sufficient safety trainings to reduce work-related risk. All employees must receive appropriate trainings on occupational health and safety that we offer, so that they can have a better understanding of the high-risk areas in the workplace.

Policy on work and life balance

The Group attaches importance to the balance between work and life of employees, and make sure their physical and mental health by providing recreation places and organizing activities for them.

Recreation places of employees

1. To enrich employees' spare-time cultural life, TV sets have been installed in the staff canteen in Shenzhen factory. Those TV sets are turned on at regular times by a designated person. The staff canteen and the "recreation room" at the third floor are equipped with air conditioners as well as a series of recreation facilities, such as karaoke room, table tennis, billiards, basketball, badminton and other facilities, thus enriching the life of employees in their spare time.

2. Shenzhen factory is also equipped with a library reading room, where employees can enrich and improve their knowledge at various aspects in their spare time.

Staff activities

As part of the effort to adjust the life of employees, motivate them and stimulate their work enthusiasm, the company has organized all kinds of lottery drawing and cultural recreation activities for employees every year in accordance with a year's production plan and holiday arrangement.

The Group has strictly complied with the relevant safety laws and regulations, and has not been charged against any violation of relevant occupational safety regulations during the Reporting Period.

Development and training

Career development policy

The Group has worked out a series of career development plans, and the Shenzhen factory has established a set of training system as below:

1. The factory has worked out an occupational training system, and provided occupational trainings for employees on schedule according to the actual demand of the company, business development and personal competence, thus helping them make appropriate career development. The workers specialized in technical work must receive corresponding trainings before taking their positions.

2. All employees are entitled to attend training, and are also obliged to receive and provide trainings. In addition to actively participating in all trainings organized by the company and all departments, employees should focus on independent study to enhance specialized knowledge, working skills and comprehensive quality, while making specific career development plans and putting those plans into practice under the guidance of the immediate supervisors and the management department of the company.

3. If the company provides employees with training-specific expenses for specialized technical training, the employees should work on relevant technical jobs according to the company arrangements, and provide the internal training and tutoring for other employees.

4. The company organizes supervisors or technicians to inspect and training at abroad as planned according to the company business development.

While for Hong Kong office, if employees have any demands for training and development, they can file an application to the department head before attending external training courses, and ask for reimbursement for training expenses from the company.

Employee training program for different positions

According to the internal "Training Control Program", the Human Resources Department of Shenzhen factory organizes all departments to put forward their demands for annual training at the first quarter of a year, and develop a "List of Annual Training Demands", which is distributed to the relevant departments after being approved by the general manager.

Labour rules

The Group holds a zero-tolerance attitude towards to the use of child labours. No minors under the age of 16 will be hired. When applying for a job, the candidates must hold identity cards of the People's Republic of China/Hong Kong, graduation certificates, proof of marriage or family planning or other valid certificates for age verification.

The Group adopts a principle of voluntary overtime work to make sure that employees work voluntarily and to safeguard their personal liberty. The Group also promises not to force employees to work at any forms and overtime.

During the Reporting Period, the Group has not been found to employ child labours or violate any regulations related to forced labour.

Supply chain management

<u>Rules on suppliers</u>

For product warranty, the Group's factory in Shenzhen has formulated a supplier review and control procedure for all suppliers, and required them to observe these rules to supervise their products quality.

<u>Supplier Selection Steps</u>

All suppliers need to be reviewed in strict accordance with the review procedure. The Purchasing Department is responsible to hold a supplier review meeting attended by the relevant departments semi-annually, to comprehensively score and grade the quality, price, delivery time and services of suppliers, and further determine whether the suppliers could be evaluated as qualified suppliers or different countermeasures should be taken. The suppliers whose overall rating is A or B are expected to be preferred suppliers; the suppliers rated as C are generally qualified suppliers; for suppliers rated as D, they will receive "Report on Corrective and Preventive Action" and asked to upgrade to at least C grade within 3 months, or else they will be disqualified; and the suppliers rated as E will be disqualified directly.

<u>Criteria for selection of suppliers</u>

The Group's factory in Shenzhen has different criteria for various suppliers. However, the general criteria include the suppliers' ability to inspect, measure and test products, the ability to ensure the quality management system, as well as the compliance with laws such as requirements on the limit of harmful chemicals. Only those suppliers meeting the criteria can be listed in the "List of Qualified Suppliers".

Product responsibility

Policy on product quality assurance

The Group's factory in Shenzhen establishes and maintains ISO9001 quality system, and also works on continuous improvement to provide good products and services to satisfy customers' needs. With the supervision and guidance from the certification authority for many years, the company's quality management system was basically completed and has been continuously improved and developed. In addition, the factory passed the annual follow-up audit in this year and has maintained the certificate. The quality policies and objectives have been understood and implemented by all employees through training and promotion. The quality objectives have been distributed to all departments and reviewed monthly by the management for continuous and gradual improvement. They passed the internal and external audit to verify the system in terms of suitability, effectiveness and sufficiency. The group undergo management review semi-annually. The organizational structure and resource allocation have accommodated with that of the company's quality system, thereby assuring an effective operation of the quality system. In conclusion, the existing quality management system of the company can effectively guarantee the product quality and continuous satisfaction among customers.

Shenzhen factory has taken the following measures for the quality assurance of products:

1. The factory has added automatic machines to reduce the chance of man-made errors, thus maintaining the product quality.

2. As a response to the national environmental protection requirements, the factory has carried out specific quality control procedures, for example, all products should meet the RoHS and REACH requirements.

3. The factory has installed destaticizing devices, and established employee regulations that all employees are required to use that device to remove static electricity, so as to eliminate the impact on the operation and quality of products.

Product safety policy

The following product test requirements must be met:

1. All products are tested with definite and effective methods.

2. For a test that needs to be definitely designed, it is necessary to ensure that the products meet the quality and technical requirements and the serious problems are timely corrected.

3. Only the products that meet the quality and technical requirements can be delivered to customers.

Fair Marketing Policy

The Group ensures that the product information on the promotion webpage and other promotion materials are true and accurate. Some products of the Group have operating instructions, which are supported with reliable theoretical basis.

After-Sale Services Policy

The Marketing Department regularly reviews the customer's opinions about the provided products and services, and explicitly gives measures to improve or increase customer satisfaction.

The customer satisfaction survey can be performed by one or more of the following methods according to the actual conditions. At present, the survey is conducted mainly by giving questionnaires to customers:

1. Visit and learn about customers' requirements; and

2. Send "Customer Satisfaction Questionnaire" to customers.

The Group generally provides product quality assurance period to products sold, during which the customers can return goods in case of any damages.

Customer data protection policy
For the data of the company and customers, the Group has operated a security system as below:

Confidentiality and non-competition
1. According to job requirements, the company will require the personnel concerned to sign a confidentiality or non-competition agreement in written form.

2. Within the valid period of the confidentiality agreement, the employee should fulfil the following obligations:

    (1) Strictly comply with the confidential system of the company to prevent from disclosure of any business secrets.

    (2) Never disclose the business secrets to others.

    (3) Never use the business secrets in production and operation activities, and never use the secrets for new research and development without written consent of the company.

The Group has strictly complied the relevant laws and regulations on product liability, and has not been charged against any violation of the laws and regulations on product liability or privacy during the Reporting Period.

Anti-Corruption
In terms of corruption prevention and commercial ethics, the Group has a set of system to monitor the conduct and behaviour of employees.

Corporate governance policy
The members of Board of Directors of the Group come from different institutions to co-supervise the corporate governance of the Company. There are different committees under the Board of Directors, including audit committee, remuneration committee and nomination committee, etc.

Corruption prevention policy
In the employment contract, we require all employees to comply with the code of business ethics, to ensure there are no corruption and bribery.

Whistleblowing policy
To guarantee the personal interests of employees and keep communication channels open between employees and the company, all employees are invited to report various opinions to the upper level, so that the problems can be followed up, discussed, coordinated and solved by the corresponding departments.

All recommendations and appeals (including bribery, extort, fraud and money laundering) can be put forward in oral, phone call or written forms. In case of any opinions that you are unwilling to or cannot raise directly, you can write them down in a letter and put the letter into the complaint box (anonymous or with signature), which can be founded in the factory. The employees of the human resources department open the box once a week and then process in a follow-up manner.

Policy on declaration of conflict of interest

According to the post requirements, the company requires the personnel concerned to sign a confidentiality or non-competition agreement in written form. Within the valid period of the non-competition agreement, all employees shall not work for other companies producing the products of the same kind or competitive products.

Policy on the third party financial audit

In order to check financial items and safeguard the rights and interests of shareholders, the Group employs a third party financial audit firm to do so.

The Group has strictly observed the relevant laws and regulations on anti-corruption and anti-bribery, and has not been charged against any violation of such laws and regulations during the Reporting Period.

Community investment

The Group actively participates in community activities, and takes initiative to contact the community groups that have a similar concept on corporate responsibility to collects opinions. If the opinions from the community groups are received, the Group will make response within the given time.

In 2016, the Group's office in Hong Kong donated a total of HK$185,000 to "Lifeline Express Hong Kong Foundation" and HK$165,500 to other charitable organisations to support charity activities and help the needy. In addition, in order to vigorously promote community investment, Shenzhen factory plans to prepare the following activities in 2017:

1. Support government activities (plant trees and clean city).

2. Social or environmental protection activities from non-government organization.

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2016, the Company has complied with the Code Provisions of the CG Code, except for the limited deviation on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximise the interests of shareholders.

Code Provision A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2016.

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

THE BOARD OF DIRECTORS AND BOARD MEETINGS

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

During the year ended 31 December 2016, Ms. Liu Jing was appointed as an executive Director of the Company effective from 5 March 2016 and Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company effective from 12 August 2016. On the other hand, Mr. Leung Kam Wah has resigned as an independent non-executive Director of the Company effective from 12 August 2016. Furthermore, subsequent to 31 December 2016, Mr. Lau Fai Lawrence was appointed as a non-executive Director of the Company with effect from 1 March 2017. The Board currently comprises five executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

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

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

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 12 to 14 of this annual report. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group. The two non-executive Directors and the three independent non-executive Directors are person of high caliber with academic and professional qualifications in the fields of accounting, finance, law, worldwide trade affairs and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group.

Each of the non-executive Directors and the independent non-executive Directors has been appointed with a formal letter of appointment setting out the terms and conditions of their respective appointment. Mr. Fan, William Chung Yue is appointed for a term of one year commencing from 17 June 2005, and such appointments shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party. Mr. Lau Fai Lawrence was appointed as a non-executive Director of the Company for a term of three years from 1 March 2017 and he will retire and offer himself for re-election at the forthcoming annual general meeting of the Company to be held on 1 June 2017. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009 and was re-elected at the annual general meeting of the Company held on 28 May 2010. The appointment of Mr. Yau Ming Kim, Robert, shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013 and was re-elected at the annual general meeting of the Company held on 29 May 2014. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company for a term of 3 years from 12 August 2016, and he will retire and offer himself for re-election at the forthcoming annual general meeting of the Company to be held on 1 June 2017. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

The Board considers that the independent non-executive Directors can make independent judgment effectively and fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors in respect of the year ended 31 December 2016.

Pursuant to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board. Following the appointment of Mr. Lau Fai Lawrence as a non-executive director of the Company effective from 1 March 2017, the Board will have a total of 10 directors, comprises 5 executive directors, 2 non-executive directors and 3 independent non-executive directors. The number of independent non-executive directors of the Company therefore falls below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company shall appoint at least one additional independent non-executive director in order to meet the above requirement. Pursuant to Rule 3.11 of the Listing Rules, the Company shall appoint a sufficient number of independent non-executive directors to meet the minimum number required under Rule 3.10A of the Listing Rules within three months after failing to meet the requirement.

The Company has made endeavours but will require more time to identify suitable candidate to act as the additional independent non-executive director of the Company and will continue with such endeavours to comply with the Listing Rules as soon as practicable. Further announcement will be made by the Company as and when appropriate.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2016, six full board meetings were held and the attendance of the Board of Directors is set out as follows:

	Number of meetings attended during the year ended 31 December 2016	
	Board meetings	**AGM/EGM***
Executive Directors		
Mr. Lam Yin Kee	6/6	3/3
Ms. Yeung Po Wah	6/6	3/3
Ms. Liu Jing (appointed from 5 March 2016)	4/5	3/3
Mr. Lam Chee Tai, Eric	4/6	2/3
Mr. So Kin Hung	6/6	3/3
Non-executive Director		
Mr. Fan, William Chung Yue	6/6	3/3
Mr. Lau Fai Lawrence**	N/A	N/A
Independent non-executive Directors		
Mr. Pang Kwong Wah	6/6	3/3
Mr. Yau Ming Kim, Robert	5/6	2/3
Mr. Yen Yuen Ho, Tony (appointed from 12 August 2016)	2/2	2/2
Mr. Leung Kam Wah (resigned from 12 August 2016)	3/4	1/1

* During the year ended 31 December 2016, the 2016 AGM was held on 7 June 2016 and two extraordinary general meetings were held on 20 October 2016 and 13 December 2016 respectively.

** Mr. Lau Fai Lawrence was appointed effective from 1 March 2017 and was therefore not entitled to attend any board meetings or general meetings during the year.

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

Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Chairman of the Board also held a meeting with the non-executive Directors (including independent non-executive Directors) of the Company during the year without the executive Directors present. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2016. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2016, the Company engaged a professional training institution to provide all Directors with relevant training on directors' responsibilities and information disclosure. All Directors had complied with the requirements set out in the Code Provision A.6.5 and had provided their training records as follows:

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

** Mr. Lau Fai Lawrence was appointed effective from 1 March 2017

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Ms. Liu Jing, Mr. Lam Chee Tai, Eric, Mr. Yau Ming Kim, Robert and Mr. Pang Kwong Wah had been re-appointed at the last Annual General Meeting held on 7 June 2016. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Lau Fai Lawrence and Mr. Yen Yuen Ho, Tony shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

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

NOMINATION COMMITTEE

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

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

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

During the year, the Nomination Committee has held two meetings to review the structure, size and composition of the Board.

Name of committee member	Number of meeting attended
Mr. Lam Yin Kee	2/2
Ms. Yeung Po Wah	2/2
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	1/2
Mr. Yen Yuen Ho, Tony*	N/A
Mr. Leung Kam Wah*	1/2

* Mr. Leung Kam Wah resigned as from 12 August 2016 and Mr. Yen Yuen Ho, Tony was appointed as a committee member with effect from 12 August 2016.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee (the "Remuneration Committee") on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee has a minimum of five members, comprising a majority of independent non-executive Directors. As of 31 December 2016, the Chairman of the Remuneration Committee was Mr. Pang Kwong Wah and other members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for meeting is two.

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

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

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

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

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

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

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

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

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

The Remuneration Committee had held two meetings in 2016, and has discussed and reviewed the remuneration policy for all directors and senior management of the Group; the bonus payment policy and the pay trend for salary adjustment.

Name of committee member	Number of meeting attended
Mr. Lam Yin Kee	2/2
Ms. Yeung Po Wah	2/2
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	1/2
Mr. Yen Yuen Ho, Tony*	N/A
Mr. Leung Kam Wah*	1/2

* Mr. Leung Kam Wah resigned as from 12 August 2016 and Mr. Yen Yuen Ho, Tony was appointed as a committee member with effect from 12 August 2016.

The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the emoluments of Directors during the year ended 31 December 2016 are set out in note 8 to the consolidated financial statements of this annual report. The emoluments paid to the highest paid individuals, who were not directors of the Company, as set out in note 9 to the consolidated financial statements of this annual report during the year ended 31 December 2016 were within the following bands:

	Number of individuals
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1

The Company has adopted a share option scheme at the annual general meeting held on 7 June 2016, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 40 and 41 of this annual report.

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

AUDIT COMMITTEE

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

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

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

Name of committee member	Number of meeting attended
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	2/2
Mr. Yen Yuen Ho, Tony*	1/1
Mr. Leung Kam Wah*	1/1

* Mr. Leung Kam Wah resigned as from 12 August 2016 and Mr. Yen Yuen Ho, Tony was appointed as a committee member with effect from 12 August 2016.

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

Relationship with the Company's independent auditor

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

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

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

Review of financial information of the Company

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

(e) In regard to (d) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's interim results and annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2016, the Audit Committee has met with the independent auditor with no executive Directors present.

EXECUTIVE COMMITTEE

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

INDEPENDENT AUDITOR

The Group's independent auditor is Ernst & Young ("EY"). EY is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The fees paid and payable by the Group to EY in respect of audit and non-audit services (mainly consist of review of interim financial information) for the year ended 31 December 2016 are HK$2,092,000 and HK$280,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on pages 51 and 52 of this annual report.

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

COMPANY SECRETARY

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

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

INVESTOR RELATIONS

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

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

SHAREHOLDERS' RIGHTS

Putting forward proposals at general meetings

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

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

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

Convening an extraordinary general meeting by shareholders

Pursuant to the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company by mail at Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward enquiries to the Board

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

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

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

Contact details

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

Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong
Fax: (852) 2977 5633
Email: roger.leung@alltronics.com.hk

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

CONSTITUTIONAL DOCUMENTS

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

The Board of Directors (the "Board") is pleased to present its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company and provides corporate management services to its group companies. The activities of the subsidiaries as set out in note 1 to the consolidated financial statements are primarily manufacturing and trading of electronic products and components for electronic products, the manufacturing and trading of biodiesel products, and the provision of energy saving business solutions. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2016.

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

BUSINESS REVIEW

Details of the activities during the year as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a review of the Group's business, an analysis of the Group's performance during the year using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of the future development in the Group's business, are set out in the sections "Chairman's Statement" on pages 3 to 4 and "Management Discussion and Analysis" on pages 5 to 11 of this annual report, and the notes to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the reporting period can also be found in the abovementioned sections and the notes to the consolidated financial statements. The discussions on the Group's compliance with the relevant laws and regulations are set out on page 38 of this annual report. An account of the Company's relationship with its key stakeholders is included in the "Relationship with Employees, Customers and Suppliers" and "Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company" on pages 38 and 44 of this annual report respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

Details of the environmental, social and governance of the Group are set out in the "Environmental, Social and Governance Report" on pages 15 to 24 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 53 of this annual report.

During the year, the Company has declared and paid an interim dividend of HK5.0 cents per ordinary share, totalling HK$22,481,010. The Directors recommend the payment of a final dividend for the year of HK8.0 cents per ordinary share, amounting to HK$42,049,616. The final dividend is subject to approval by shareholders at the Annual General Meeting of the Company to be held on 1 June 2017. It is expected that the final dividend will be paid on or about 23 June 2017 to shareholders whose names appear on the register of members on 9 June 2017.

The Directors also recommend to make a bonus issue of eight new shares credited as fully paid for every ten shares held by the shareholders of the Company. Further details of the bonus issue are set out in the separate announcement of the Company dated 30 March 2017.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$350,500.

SHARES ISSUED DURING THE YEAR

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

(i) Pursuant to a subscription agreement dated 17 August 2016 and a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 20 October 2016, the Company has allotted and issued 52,562,020 new ordinary shares on 3 November 2016, at HK$1.49 per share to Lijiang Investment Holdings Limited. Details of the subscription of 52,562,020 new ordinary shares were set out in the circular dated 29 September 2016 issued by the Company.

(ii) Pursuant to a subscription agreement dated 31 October 2016 and a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 13 December 2016, the Company has allotted and issued 23,437,980 new ordinary shares on 19 December 2016, at HK$1.49 per share to Wealth Channel Global Limited. Details of the subscription of 23,437,980 new ordinary shares were set out in the circular dated 25 November 2016 issued by the Company.

Details of the shares issued during the year ended 31 December 2016 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company as at 31 December 2016, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$331,981,000 (2015: HK$225,966,000).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 126 of this annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2016 and the Company has not redeemed any of its shares during the year.

SHARE OPTIONS

Pursuant to an ordinary resolution of the shareholders of the Company passed at the Annual General Meeting held on 7 June 2016, a share option scheme (the "2016 Share Option Scheme") was approved and adopted. The purpose of the 2016 Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the 2016 Share Option Scheme, participants include (i) any Employee or proposed Employee; (ii) any Directors, non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity"); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vii) any other group or classes of persons or entities from time to time determined by the Board as having contributed or may contribute by way of joint venture, business alliances or other business arrangements to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 7 June 2016, the date on which the 2016 Share Option Scheme was adopted.

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2016 Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the 2016 Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the 2016 Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the 2016 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

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

The subscription price in respect of each share issued under the 2016 Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

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

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

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 7 June 2016, being the date on which the 2016 Share Option Scheme was adopted.

During the two years ended 31 December 2016 and 2015, there were no share options granted, exercised, cancelled or lapsed. As at 31 December 2016 and 2015, there were no outstanding share options issued under any share option scheme.

As at the date of this report, the total number of shares of the Company available for issue under the 2016 Share Option Scheme was 44,962,020, which represented approximately 8.6% of the issued share capital of the Company as at the date of this report.

DIRECTORS OF THE COMPANY

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

Executive Directors

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

Non-Executive Directors

Mr. Fan, William Chung Yue
Mr. Lau Fai Lawrence *(appointed from 1 March 2017)*

Independent Non-Executive Directors

Mr. Pang Kwong Wah
Mr. Yau Ming Kim, Robert
Mr. Yen Yuen Ho, Tony *(appointed from 12 August 2016)*
Mr. Leung Kam Wah *(resigned from 12 August 2016)*

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Lau Fai Lawrence and Mr. Yen Yuen Ho, Tony shall retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$370,800 and HK$109,146 respectively, subject to discretionary bonus of not more than 10% of the Group's profit in aggregate; and

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

Ms. Liu Jing was appointed for an initial term of three years commencing from 5 March 2016 and such appointment shall continue thereafter from year to year until terminated by either party with three month's notice in writing. The current monthly salary for Ms. Liu Jing is HK$52,500.

There are no service contracts between the Company and Mr. Lam Chee Tai, Eric and Mr. So Kin Hung in relation to their roles as executive Directors of the Company. The current monthly salary for Mr. Lam Chee Tai, Eric and Mr. So Kin Hung are HK$133,326 and HK$103,193 respectively.

Mr. Fan, William Chung Yue was appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Lau Fai Lawrence was appointed for an initial term of three years commencing from 1 March 2017 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009. The appointment of Mr. Yau Ming Kim, Robert shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company from 12 August 2016. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 14 of this annual report.

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

As at 31 December 2016, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company as at 31 December 2016

		Number of shares held				
		Personal interests	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the Company**
Mr. Lam Yin Kee	Long positions	3,058,290	–	244,300,000 *(Note 1)*	247,358,290	47.06
Ms. Yeung Po Wah	Long positions	–	247,358,290	–	247,358,290	47.06
Ms. Liu Jing	Long positions	69,172,000	–	–	69,172,000	13.16
Mr. Lam Chee Tai, Eric	Long positions	1,677,060	–	–	1,677,060	0.32

Notes:

1. 244,300,000 shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee.

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

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

(b) Share options of the Company as at 31 December 2016

None of the Directors and Chief Executives has held any share options as at 31 December 2016.

(c) **Interests in an associated corporation, Profit International Holdings Limited (ordinary shares of US$1 each) as at 31 December 2016**

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

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

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

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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2016, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

		Number of shares held			
Name		Personal interests	Nature of interest	Total	% of the issued share capital of the Company
Profit International Holdings Limited	Long positions	244,300,000	Beneficially owned	244,300,000	46.48
Lijiang Investment Holdings Limited	Long positions	52,562,020	Beneficially owned	52,562,020	10.00
China Huarong International Holdings Limited ("Huarong International") *(Note)*	Long positions	52,562,020	Interest of a controlled corporation	52,562,020	10.00
China Huarong Asset Management Co., Ltd. ("China Huarong") *(Note)*	Long positions	52,562,020	Interest of a controlled corporation	52,562,020	10.00
The Ministry of Finance of the People's Republic of China *(Note)*	Long positions	52,562,020	Interest of a controlled corporation	52,562,020	10.00

Note: 52,562,020 shares of the Company were beneficially owned by Lijiang Investment Holdings Limited which is wholly-owned by Huarong International. Huarong International is a wholly-owned subsidiary of China Huarong. The Ministry of Finance of the People's Republic of China has 63.36% of controlling interest in China Huarong. Therefore, Huarong International, China Huarong and the Ministry of Finance of the People's Republic of China are deemed to be interested in 52,562,020 shares of the Company.

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, as at 31 December 2016, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest supplier	2.4%
– five largest suppliers combined	9.6%
Sales	
– the largest customer	38.3%
– five largest customers combined	58.9%

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the consolidated financial statements also constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$150,000 for a period of two years from 1 April 2015 to 31 March 2017. Ms. Yeung Po Wah and Mr. Lam Chee Tai, Eric hold 60% and 20% of shareholding respectively and are directors of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Mr. Lam Chee Tai, Eric is an executive Director of the Company and the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. The Company had made an announcement in respect of this continuing connected transaction on 31 March 2015.

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

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

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

CORPORATE GOVERNANCE

During the year ended 31 December 2016, the Company complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules except for the following:

Code Provision A.2.1

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

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive Directors representing at least one-third of the Board. Following the appointment of Mr. Lau Fai Lawrence as a non-executive Director of the Company effective from 1 March 2017, the Board will have a total of 10 directors, comprises 5 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The number of independent non-executive Directors of the Company therefore falls below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company shall appoint at least one additional independent non-executive Director in order to meet the above requirement. Pursuant to Rule 3.11 of the Listing Rules, the Company shall appoint a sufficient number of independent non-executive Directors to meet the minimum number required under Rule 3.10A of the Listing Rules within three months after failing to meet the requirement.

The Company has made endeavours but will require more time to identify suitable candidate to act as the additional independent non-executive Director of the Company and will continue with such endeavours to comply with the Listing Rules as soon as practicable. Further announcement will be made by the Company as and when appropriate.

Further information is set out in the "Corporate Governance Report" on pages 25 to 37 of this annual report.

EMOLUMENT POLICY

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

PERMITTED INDEMNITY PROVISIONS

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

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Ernst & Young, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment. The consolidated financial statements for the two years ended 31 December 2014 and 2015 have been audited by Pricewaterhousecoopers, Certified Public Accountants.

EVENT AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in Note 37 to the consolidated financial statements.

On behalf of the Board

Lam Yin Kee
Chairman
Hong Kong, 30 March 2017

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TO THE MEMBERS OF ALLTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 125, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As at 31 December 2016, the Group's goodwill relating to previous acquisitions amounted to HK$11.67 million which is material to the consolidated financial statements. Management is required to perform goodwill impairment assessment on an annual basis under HKFRSs. The assessment procedures are significant to our audit because the process is complex and involves management judgements, and is based on assumptions such as expected average gross margin, annual growth rates, expected market share, revenue and margin development that are affected by expected future market and economic conditions. The accounting policies for and disclosures of goodwill are included in notes 3, 4 and 15 to the consolidated financial statements.	We examined the Group's cash flows forecast of the relevant cash generating units ("CGUs") by reviewing the accuracy of previous forecasts and the historic evidence supporting the underlying assumptions. Future cash flow assumptions such as expected average gross margin, annual growth rates and expected market share were evaluated through comparison of historical performance, seeking corroborative evidence and enquiry with management in respect of key growth and assumptions. We involved our internal specialists in assessing the key parameters such as the discount rate and long term growth rate and applying an independent assessment on general market indicators. Further, we assessed the sufficiency of the sensitivity analysis performed by management and performed other sensitivity analysis focusing on the key assumptions.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
As of 31 December 2016, the total inventories and the related provision for obsolete inventories amounted to HK$222.2 million and HK$11.4 million, respectively, which are material to the consolidated financial statements. The inventories of the Group are mainly finished electronic products, plastic moulds, plastic and other components for electronic products which might become obsolete because of rapid technological advancement. Management's assessment on the provision for obsolete inventories is based on assumptions, including the forecasted inventory usage and estimated selling prices, which are affected by expected future market and sales orders. The accounting policies for and disclosures of inventory provision are included in notes 3, 4 and 18 to the consolidated financial statements.	We evaluated, amongst others, the analyses and assessments of the sales forecasts and sales prices based on the existing contracts with the major customers. We also evaluated the expected future usage of inventory based on past experience made by management with respect to slow-moving and obsolete inventories. We tested samples of inventory items to assess the cost basis and net realisable value. We also reviewed the basis for the inventory provision, the consistency of apply the provisioning policy and the rationale for recording any specific provisions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2017

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
REVENUE	5	**1,023,550**	886,305
Cost of sales		**(810,038)**	(726,731)
Gross profit		**213,512**	159,574
Distribution costs		**(11,122)**	(7,419)
Administrative expenses		**(104,530)**	(83,821)
Other operating income/(expenses), net		**12,868**	(3,160)
Share of profits and losses of associates		**(3,135)**	192
Finance costs	7	**(9,155)**	(5,776)
PROFIT BEFORE TAX	6	**98,438**	59,590
Income tax expense	10	**(21,848)**	(15,521)
PROFIT FOR THE YEAR		**76,590**	44,069
Attributable to:			
Owners of the parent		**71,758**	41,410
Non-controlling interests		**4,832**	2,659
		76,590	44,069
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**HK$**	HK$
Basic		**15.64 cents**	10.75 cents
Diluted		**15.64 cents**	10.75 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
PROFIT FOR THE YEAR	**76,590**	44,069
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(19,130)**	(9,141)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(19,130)**	(9,141)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**57,460**	34,928
Attributable to:		
Owners of the parent	**53,472**	32,209
Non-controlling interests	**3,988**	2,719
	57,460	34,928

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**227,449**	37,548
Prepaid land lease payments	14	**1,670**	1,720
Goodwill	15	**11,672**	11,672
Investments in associates	16	**30,507**	18,426
Available-for-sale investments		**–**	5,000
Prepayments, deposits and other receivables	20	**20,567**	58,804
Long term receivables	17	**3,541**	6,561
Deferred tax assets	26	**1,859**	1,463
Total non-current assets		**297,265**	141,194
CURRENT ASSETS			
Inventories	18	**210,799**	196,680
Trade receivables	19	**185,101**	113,754
Long term receivables – current portion	17	**19,673**	19,979
Prepayments, deposits and other receivables	20	**33,987**	41,287
Financial assets at fair value through profit or loss	21	**427**	256
Tax recoverable		**–**	23
Pledged deposits	22	**8,698**	10,527
Cash and cash equivalents	22	**333,629**	204,505
Total current assets		**792,314**	587,011
CURRENT LIABILITIES			
Trade and bills payables	23	**202,137**	160,578
Other payables and accruals	24	**63,069**	45,529
Deferred revenue		**1,385**	1,176
Tax payable		**8,333**	6,305
Interest-bearing bank and other borrowings	25	**325,738**	145,759
Derivative financial instruments		**–**	3,876
Total current liabilities		**600,662**	363,223
NET CURRENT ASSETS		**191,652**	223,788
TOTAL ASSETS LESS CURRENT LIABILITIES		**488,917**	364,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*25*	**1,097**	1,837
Deferred revenue		**1,054**	1,518
Deferred tax liabilities	*26*	**115**	213
Total non-current liabilities		**2,266**	3,568
Net assets		**486,651**	361,414
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	**5,256**	4,496
Reserves	*28*	**486,460**	365,971
		491,716	370,467
Non-controlling interests		**(5,065)**	(9,053)
Total equity		**486,651**	361,414

Lam Yin Kee
Director

Yeung Po Wah
Director

	Attributable to owners of the parent									
	Share capital HK$'000 *(note 27)*	Share premium HK$'000 *(note 27)*	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	3,459	42,568	5,799	10,613	15,329	42	179,086	256,896	(11,802)	245,094
Profit for the year	–	–	–	–	–	–	41,410	41,410	2,659	44,069
Other comprehensive loss for the year:										
Exchange differences related to foreign operations	–	–	–	–	(9,201)	–	–	(9,201)	60	(9,141)
Total comprehensive income for the year	–	–	–	–	(9,201)	–	41,410	32,209	2,719	34,928
Change in ownership interests in a subsidiary without change in control	–	–	–	–	–	–	(30)	(30)	30	–
Issue of shares *(note 27)*	692	127,391	–	–	–	–	–	128,083	–	128,083
Bonus issue of shares *(note 27)*	345	(345)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	2,222	–	–	(2,222)	–	–	–
Interim 2015 dividend paid	–	–	–	–	–	–	(19,022)	(19,022)	–	(19,022)
Final 2014 dividend paid	–	–	–	–	–	–	(27,669)	(27,669)	–	(27,669)
At 31 December 2015	4,496	169,614*	5,799*	12,835*	6,128*	42*	171,553*	370,467	(9,053)	361,414
At 1 January 2016	**4,496**	**169,614**	**5,799**	**12,835**	**6,128**	**42**	**171,553**	**370,467**	**(9,053)**	**361,414**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**71,758**	**71,758**	**4,832**	**76,590**
Other comprehensive loss for the year:										
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**(18,286)**	**–**	**–**	**(18,286)**	**(844)**	**(19,130)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(18,286)**	**–**	**71,758**	**53,472**	**3,988**	**57,460**
Issue of shares *(note 27)*	**760**	**111,979**	**–**	**–**	**–**	**–**	**–**	**112,739**	**–**	**112,739**
Transfer from retained profits	**–**	**–**	**–**	**3,879**	**–**	**–**	**(3,879)**	**–**	**–**	**–**
Interim 2016 dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(22,481)**	**(22,481)**	**–**	**(22,481)**
Final 2015 dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(22,481)**	**(22,481)**	**–**	**(22,481)**
At 31 December 2016	**5,256**	**281,593***	**5,799***	**16,714***	**(12,158)***	**42***	**194,470***	**491,716**	**(5,065)**	**486,651**

* These reserve accounts comprise the consolidated reserves of HK$486,460,000 (2015: HK$365,971,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**98,438**	59,590
Adjustments for:			
Finance costs	*7*	**9,155**	5,776
Interest income	*6*	**(2,171)**	(1,729)
Depreciation	*6*	**15,786**	11,451
Amortisation of prepaid land lease prepayments	*6*	**50**	50
Share of profits and losses of associates		**3,135**	(192)
Amortisation of non-current prepayments		**3,486**	4,657
Written off non-current prepayments		**920**	–
Fair value gains on derivative instruments			
– transactions not qualifying as hedges	*6*	**(3,876)**	(7,987)
Fair value (gain)/loss on equity investments at fair value through profit or loss	*6*	**(171)**	178
Loss/(gain) on disposal of items of property, plant and equipment	*6*	**138**	(93)
Impairment of goodwill	*6*	**–**	8,259
		124,890	79,960
Increase in inventories		**(14,119)**	(22,186)
(Increase)/decrease in trade receivables		**(69,839)**	21,468
Decrease in long term receivables		**3,020**	1,325
(Increase)/decrease in prepayments, deposits and other receivables		**(2,363)**	2,386
Decrease in deferred revenue		**(255)**	(3,135)
Increase in trade and bills payables		**41,559**	751
Increase in trust receipt loans		**324**	937
Increase in other payables and accruals		**17,047**	3,191
Cash generated from operations		**100,264**	84,697
Interest received		**2,171**	1,729
Interest paid		**(9,155)**	(5,776)
Tax paid		**(20,293)**	(13,715)
Net cash flows from operating activities		**72,987**	66,935

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(209,307)**	(8,489)
Decrease/(increase) in prepayments for non-current assets		**32,750**	(32,908)
Purchase of available-for-sale investments		**–**	(5,000)
Increase in investments in associates		**(10,215)**	(11,952)
Proceeds from disposals of items of property, plant and equipment		**1,107**	776
Net cash flows used in investing activities		**(185,665)**	(57,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**306,361**	193,819
Repayments of bank loans and other borrowings		**(122,348)**	(134,357)
Dividends paid		**(44,962)**	(46,691)
Capital element of finance lease payments		**(1,131)**	(1,104)
Proceeds from issue of shares		**112,739**	128,083
Decrease/(increase) in pledged deposits		**1,830**	(20)
Net cash flows from financing activities		**252,489**	139,730
NET INCREASE IN CASH AND CASH EQUIVALENTS		**139,811**	149,092
Cash and cash equivalents at beginning of year		**196,776**	48,220
Effect of foreign exchange rate changes, net		**(6,719)**	(536)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**329,868**	196,776
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash balances		**264,702**	182,515
Non-pledged time deposits with original maturity of less than three months		**68,927**	21,990
Cash and cash equivalents as stated in the statement of financial position	*22*	**333,629**	204,505
Bank overdrafts, secured	*25*	**(3,761)**	(7,729)
Cash and cash equivalents as stated in the statement of cash flows		**329,868**	196,776

1. CORPORATE AND GROUP INFORMATION

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

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

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

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 46.5% of the Company's issued shares as at 31 December 2016 (At 31 December 2015: 56.5%). In the opinion of the directors, the Company's ultimate holding company is Profit International Holdings Limited and the ultimate controlling party is Mr. Lam Yin Kee.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Alltronics (BVI) Limited	The British Virgin Islands	100 ordinary shares of US$1 each	100	–	Investment holding in Hong Kong
Alltronics Resources Limited	The British Virgin Islands	100 ordinary shares of US$1 each	100	–	Investment holding in Hong Kong
Alltronics Industries Limited	Hong Kong	1 ordinary share of HK$1	100	–	Investment holding in Hong Kong
Alltronics Project Limited	Hong Kong	100 ordinary shares totalling HK$100	100	–	Investment holding and energy saving business in Hong Kong
Alltronics Tech. Mftg. Limited	Hong Kong	500,000 ordinary shares totalling HK$500,000	–	100	Research and development, manufacturing and trading of electronic products
Allcomm (H.K.) Limited	Hong Kong	2 ordinary shares totalling HK$2	–	100	Investment holding and trading of electronic products
Shenzhen Allcomm Electronic Co. Ltd.**	People's Republic of China ("PRC")	Registered capital of US$2,500,000	–	100	Manufacture of electronic products
Dynamic Progress International Limited	Hong Kong	10,000 ordinary shares totalling HK$10,000	–	51	Manufacture and trading of biodiesel

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Southchina Engineering and Manufacturing Limited	Hong Kong	1,000,000 ordinary shares totalling HK$1,000,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC
華泰電器制品(深圳)有限公司**	PRC	Registered capital of RMB1,000,000	–	100	Manufacturing of transformers, solenoids and other components for electronic products in the PRC
陽江市華訊電子制品有限公司**	PRC	Registered capital of US$1,500,000	–	100	Manufacturing of transformers, solenoids and other components for electronic products in the PRC
Alltronics Energy Saving (Shenzhen) Limited**	PRC	Registered capital of HK$60,000,000	–	100	Provision of energy saving business solutions to customers
南盈科技發展(深圳)有限公司*/**	PRC	Registered capital of HK$7,700,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories
南華匯盈科技發展(深圳)有限公司*/**	PRC	Registered capital of HK$12,000,000	–	51	Manufacturing of plastic moulds, plastic and electronic accessories

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1,2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Company is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018, and is currently assessing the impact of HKFRS 15 upon adoption.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

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

Fair value measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value presented as other operating income/(expense), net in the consolidated statement of profit or loss. These net fair value changes not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Available-for-sale investments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative instruments entered into by the Group do not qualify for hedge accounting, and changes in the fair value of these derivative instruments are recognised in the consolidated statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

Revenue recognition

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

(a) *Sales of goods*

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

(b) *Interest income*

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

(c) *Income from energy management contracts*

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

(i) Income from sale of energy saving equipment

Revenue from sale of energy saving equipment is recognised as sales income when the installation work and the inspection procedures have been completed, and the energy saving revenue sharing has been agreed by the Group and the customer (Note 5).

(ii) Maintenance service income

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

(d) *Dividend income*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee retirement benefits

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

Income taxes

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$11,672,000 (2015: HK$11,672,000). Further details are given in note 15 to the financial statements.

Provision for inventories

The Group makes provision for inventories based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision in the year in which such estimate is changed. Further details are given in note 18 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2016 and 2015 were HK$227,449,000 and HK$37,548,000, respectively. Further details are given in note 13 to the financial statements.

Estimated impairment provision for trade receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each reporting period.

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

Recognition of deferred income tax assets

According to the accounting policy as stated in note 3, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the future applicable tax rate for each subsidiary of the Company in each tax jurisdiction and the profitability of each subsidiary, so as to estimate the future utilisation of tax losses. Any difference between these estimates and the actual outcome will impact the Group's results in the period in which the actual outcome is determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Recognition of revenue from energy management contract

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

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

Impairment of non-financial assets (other than goodwill)

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

5. OPERATING SEGMENT INFORMATION

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

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

(b) the biodiesel products segment—the trading of biodiesel products in Hong Kong; and

(c) the energy saving business segment—the provision of energy saving business solutions to customers.

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

There are no intersegment sales and all segment revenue reported is derived from external parties.

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2016				
Segment revenue:				
Sales to external customers	1,015,877	3,084	2,946	1,021,907
Revenue from services	–	–	1,643	1,643
Total revenue	1,015,877	3,084	4,589	1,023,550
Segment results				
Operating profit/(loss) before interest and tax	124,628	(1,210)	(5,758)	117,660
Share of profits and losses of associates	(3,135)	–	–	(3,135)
Finance costs	(9,155)	–	–	(9,155)
Interest income	798	–	1,372	2,170
Income tax expense	(21,848)	–	–	(21,848)
	91,288	(1,210)	(4,386)	85,692
Unallocated operating costs				(9,102)
Profit for the year				76,590
Segment assets	893,687	2,850	95,291	991,828
Unallocated:				
Cash and cash equivalents				97,557
Prepayments and deposits				194
Tax recoverable				–
Total assets				1,089,579
Segment liabilities	595,478	780	5,669	601,927
Unallocated:				
Accruals and other payables				1,001
Total liabilities				602,928
Other segment information:				
Investments in associates	30,507	–	–	30,507
Depreciation and amortisation	(15,283)	(307)	(3,732)	(19,322)
Capital expenditure*	209,297	10	–	209,307
Fair value gain on derivative instruments – transactions not qualifying as hedges	3,876	–	–	3,876

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

5. OPERATING SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2015 (Restated)				
Segment revenue:				
Sales to external customers	877,053	5,464	938	883,455
Revenue from services	–	–	2,850	2,850
Total revenue	877,053	5,464	3,788	886,305
Segment results				
Operating profit/(loss) before interest and tax	87,771	(13,365)	(6,728)	67,678
Share of profits and losses of associates	192	–	–	192
Finance costs	(5,274)	(2)	(500)	(5,776)
Interest income	201	–	1,528	1,729
Income tax expense	(15,521)	–	–	(15,521)
	67,369	(13,367)	(5,700)	48,302
Unallocated operating costs				(4,233)
Profit for the year				44,069
Segment assets	630,430	2,660	92,032	725,122
Unallocated:				
Cash and cash equivalents				2,867
Prepayments and deposits				193
Tax recoverable				23
Total assets				728,205
Segment liabilities	354,565	944	9,657	365,166
Unallocated:				
Accruals and other payables				1,625
Total liabilities				366,791
Other segment information:				
Investment in an associate	18,426	–	–	18,426
Depreciation and amortisation	(10,800)	(483)	(4,875)	(16,158)
Capital expenditure	10,614	173	347	11,134
Fair value gain on derivative instruments				
– transactions not qualifying as hedges	7,987	–	–	7,987
Impairment of goodwill	–	(8,259)	–	(8,259)

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
The United States	**527,619**	456,837
Hong Kong	**202,738**	169,733
Europe	**207,792**	171,518
Mainland China	**65,201**	39,263
Other overseas countries	**20,200**	48,954
	1,023,550	886,305

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

Information about major customers

For the year ended 31 December 2016, revenues of approximately HK$392,449,000 (2015: HK$347,537,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

(b) Non-current assets

	2016 HK$'000	2015 HK$'000 (Restated)
Hong Kong	**259,182**	97,818
Mainland China	**36,224**	41,913
	295,406	139,731

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

6. PROFIT BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**543,869**	476,460
Depreciation	*13*	**15,786**	11,451
Amortisation of prepaid land lease payments	*14*	**50**	50
Auditors' remuneration		**2,372**	2,961
Amortisation of non-current prepayments	*20*	**3,486**	4,657
Written off non-current prepayments		**920**	–
Impairment of goodwill	*15*	**–**	8,259
Written off of inventories to net realisable value	*18*	**284**	5,608
Minimum lease payments under operating leases		**15,592**	17,785
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**179,915**	167,745
Pension scheme contributions		**1,042**	1,031
Staff welfare and allowances		**13,496**	12,784
		194,453	181,560
Loss/(gain) on disposal of property, plant and equipment		**138**	(93)
Foreign exchange differences, net		**(7,644)**	2,130
Realised loss on derivative instruments – net		**1,688**	3,546
Fair value gain on derivative instruments – transactions not qualifying as hedges		**(3,876)**	(7,987)
Fair value (gain)/loss on equity investments at fair value through profit or loss		**(171)**	178
Interest income from bank deposits		**(801)**	(204)
Interest income from long term receivables		**(1,370)**	(1,525)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank loans and other borrowings	**9,048**	5,618
Interest element of finance leases	**107**	158
Total finance costs	**9,155**	5,776

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**1,118**	1,064
Other emoluments		
Salaries and benefits in kind	**11,144**	9,989
Discretionary bonuses	**4,415**	1,580
Pension scheme contributions	**72**	72
	15,631	11,641
	16,749	12,705

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2016 HK$'000	2015 HK$'000
Mr. Yau Ming Kim, Robert	280	266
Mr. Leung Kam Wah*	171	266
Mr. Pang Kwong Wah	280	266
Mr. Yen Yuen Ho, Tony**	108	–
	839	798

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

* Mr. Leung Kam Wah resigned as an independent non-executive director on 12 August 2016.

** Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive director on 12 August 2016.

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses[2] HK$'000	Estimated money value of other benefits[1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
2016						
Executive directors:						
Mr. Lam Yin Kee	–	4,580	3,815	1,800	18	10,213
Ms. Yeung Po Wah	–	1,339	200	–	18	1,557
Ms. Liu Jing	–	500	100	–	–	600
Mr. So Kin Hung	–	1,290	100	–	18	1,408
Mr. Lam Chee Tai, Eric	–	1,635	200	–	18	1,853
Non-executive director:						
Mr. Fan, William Chung Yue	279	–	–	–	–	279
	279	9,344	4,415	1,800	72	15,910

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and a non-executive director (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses[2] HK$'000	Estimated money value of other benefits[1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
2015						
Executive directors:						
Mr. Lam Yin Kee	–	4,205	1,180	1,800	18	7,203
Ms. Yeung Po Wah	–	1,251	150	–	18	1,419
Mr. So Kin Hung	–	1,205	100	–	18	1,323
Mr. Lam Chee Tai, Eric	–	1,528	150	–	18	1,696
Non-executive director:						
Mr. Fan, William Chung Yue	266	–	–	–	–	266
	266	8,189	1,580	1,800	72	11,907

1 Other benefits represent rental paid by the Group for the quarters of the directors.

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

Notes:

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

(ii) Ms. Liu Jing was appointed on 5 March 2016.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,611**	4,420
Performance related bonuses	**3,000**	260
Pension scheme contributions	**54**	54
	6,665	4,734

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

	2016	2015
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

10. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% (2015: 25%) on the taxable income.

	2016	2015
	HK$'000	HK$'000
Current – Mainland China	**14,293**	8,075
Current – Hong Kong	**8,057**	8,340
Overprovision in prior years	**(8)**	(170)
Deferred *(note 26)*	**(494)**	(724)
Total tax charge for the year	**21,848**	15,521

10. INCOME TAX (Continued)

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

	2016		2015	
	HK$'000	**%**	HK$'000	%
Profit before tax	**98,438**		59,590	
Tax at the statutory tax rates	**16,242**	**16.5**	9,832	16.5
Effect of different taxation rates in other countries	**4,781**	**4.9**	2,459	4.1
Income not subject to tax	**(1,411)**	**(1.4)**	(128)	(0.2)
Expenses not deductible for tax	**1,529**	**1.6**	1,518	2.5
Overprovision in prior years	**(8)**	**–**	(170)	(0.3)
Tax losses not recognised	**1,111**	**1.1**	2,119	3.5
Utilisation of previously unrecognised tax losses	**(309)**	**(0.4)**	–	–
Others	**(87)**	**(0.1)**	(109)	(0.2)
Tax charge at the Group's effective tax rate	**21,848**	**22.2**	15,521	26.0

11. DIVIDENDS

	2016	2015
	HK$'000	HK$'000
Interim - HK5.0 cents (2015: HK5.0 cents) per ordinary share	**22,481**	19,022
Proposed final - HK8.0 cents (2015: HK8.0 cents) per ordinary share	**42,050**	22,481
	64,531	41,503

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 458,926,000 (2015: 385,186,000) in issue during the year.

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**71,758**	41,410

	Number of shares 2016	 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**458,926,000**	385,186,000
Basic earnings per share (HK cents)	**15.64 cents**	10.75 cents

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	8,581	12,140	22,302	79,420	62,448	16,029	200,920
Accumulated depreciation	(2,795)	(10,402)	(17,441)	(64,756)	(58,121)	(9,857)	(163,372)
Net carrying amount	5,786	1,738	4,861	14,664	4,327	6,172	37,548
At 1 January 2016, net of accumulated depreciation	5,786	1,738	4,861	14,664	4,327	6,172	37,548
Additions	192,036	595	2,305	5,220	5,675	3,476	209,307
Disposals	–	(401)	(156)	(499)	(25)	(25)	(1,106)
Depreciation *(note 6)*	(6,368)	(424)	(1,230)	(3,300)	(2,313)	(2,151)	(15,786)
Exchange realignment	–	(124)	(304)	(1,709)	(201)	(176)	(2,514)
At 31 December 2016, net of accumulated depreciation	191,454	1,384	5,476	14,376	7,463	7,296	227,449
At 31 December 2016:							
Cost	200,618	7,243	18,842	70,531	60,297	17,708	375,239
Accumulated depreciation	(9,164)	(5,859)	(13,366)	(56,156)	(52,834)	(10,411)	(147,790)
Net carrying amount	191,454	1,384	5,476	14,375	7,463	7,297	227,449

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

As at 31 December 2016, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK$4,882,000 (2015: HK$4,882,000) and HK$2,398,000 (2015: HK$1,422,000), respectively. The lease terms are between 4 and 5 years.

At 31 December 2016, the Group's leasehold property with a carrying amount of HK$186,000,000 (2015: Nil) was pledged as security for the Group's bank loans, as further detailed in note 25(b) to the financial statements.

14. PREPAID LAND LEASE PAYMENTS

	2016	2015
	HK$'000	HK$'000
Carrying amount at 1 January	**1,720**	1,770
Recognised during the year *(note 6)*	**(50)**	(50)
Carrying amount at 31 December	**1,670**	1,720

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

15. GOODWILL

		2016	2015
	Note	**HK$'000**	HK$'000
At 1 January:			
Cost		**19,931**	19,931
Accumulated impairment		**(8,259)**	–
Net carrying amount		**11,672**	19,931
Cost at 1 January, net of accumulated impairment		**11,672**	19,931
Impairment provided during the year	6	**–**	(8,259)
Cost and net carrying amount at 31 December		**11,672**	11,672
At 31 December:			
Cost		**19,931**	19,931
Accumulated impairment		**(8,259)**	(8,259)
Net carrying amount		**11,672**	11,672

15. GOODWILL (Continued)

Impairment testing of goodwill

The goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of one subsidiary, namely Southchina Engineering and Manufacturing Limited ("Southchina"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3 to the financial statements. Management considers Southchina as one separate industrial products cash-generating unit (the "CGU"). The recoverable amount of the CGUs is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina, approved by management covering a five year period. The pre-tax discount rate of 9.5% (2015: 9.5%) has been applied to the cash flow projections for Southchina to reflect specific risks relating to the CGU.

Assumptions were used in the value in use calculation of the CGU for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

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

16. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**30,507**	18,426

Particulars of the associates are as follows:

Name	Particulars of issued shares held/ registered capital contributed	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Yichun Yilian Print Tech Co., Ltd. ("Yichun Yilian")	Contributed RMB14,700,000 as registered capital	PRC/Mainland China	49%	Manufacturing of printers and accessory products
P2 Mobile Technologies Ltd. ("P2MT")	8,778 ordinary shares	Hong Kong	33.71%	Wireless communication products and software development

16. INVESTMENTS IN ASSOCIATES (Continued)

(i) Yichun Yilian

Yichun Yilian is a private limited liability company established on 7 November 2014. It is registered in Mainland China and is a technology company focusing on researching and manufacturing of intelligent laser printers.

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

	2016	2015
	HK$'000	HK$'000
Current assets	**28,150**	34,697
Non-current assets	**6,450**	6,772
Current liabilities	**(6,848)**	(4,491)
Non-current liabilities	**–**	–
Net assets	**27,752**	36,978
Proportion of the Group's ownership	**49%**	49%
Carrying amount of the investment	**15,414**	18,426

	2016	2015
	HK$'000	HK$'000
Revenue	**5,505**	7,705
Income/(loss) for the year	**(6,147)**	392
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the year	**(6,147)**	392

(ii) P2MT

P2MT is a private limited liability company established on 18 September 2008. It is a Hong Kong based wireless technology company focusing on wireless communication products and software development.

In 2015, the Group acquired 5.69% interests in P2MT for HK$5,000,000 which were accounted for as available-for-sale investments. In 2016, the Group's interests in P2MT increased to 33.71% by acquiring additional shares at a total consideration of HK$10,215,000. As a result, the Group can exercise significant influence over P2MT and P2MT has became an associate of the Group since then. As at the acquisition date, the fair value of net assets was equivalent to the investment cost.

16. INVESTMENTS IN ASSOCIATES (Continued)

(ii) P2MT (Continued)

The following table illustrates the summarised financial information in respect of P2MT adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 HK$'000
Current assets	30,394
Non-current assets	37,957
Current liabilities	(21,030)
Non-current liabilities	(2,548)
Net assets	44,773
Proportion of the Group's ownership	33.71%
Carrying amount of the investment	15,093

	2016 HK$'000
Revenue	2,127
Loss for the year	(365)
Other comprehensive income	–
Total comprehensive loss for the year	(365)

17. LONG TERM RECEIVABLES

	2016 HK$'000	2015 HK$'000
Non-current		
Gross receivables	**4,739**	8,833
Less: unearned income	**(1,198)**	(2,272)
	3,541	6,561
Current		
Gross receivables	**21,430**	21,493
Less: unearned income	**(1,757)**	(1,514)
	19,673	19,979
Long term receivables	**23,214**	26,540

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

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**104,882**	109,838
Work in progress	**62,234**	50,849
Finished goods	**55,086**	47,112
	222,202	207,799
Provision against slow-moving and obsolete inventories	**(11,403)**	(11,119)
	210,799	196,680

18. INVENTORIES (Continued)

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

	2016 HK$'000	2015 HK$'000
At 1 January	**11,119**	5,511
Amount provided during the year *(note 6)*	**284**	5,608
At 31 December	**11,403**	11,119

19. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**185,101**	113,754
Impairment	**–**	–
	185,101	113,754

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. As at 31 December 2016, the Group's largest customer accounted for approximately 13.6% of total trade receivables (31 December 2015: 24.8%). This customer has long term trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard. The Group's other trade receivables related to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES (Continued)

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

	2016 HK$'000	2015 HK$'000
Within 30 days	**114,290**	73,510
31 to 60 days	**45,204**	28,366
61 to 90 days	**18,825**	8,420
Over 90 days	**6,782**	3,458
	185,101	113,754

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**173,640**	105,906
Less than 60 days past due	**10,494**	7,597
Over 60 days past due	**967**	251
	185,101	113,754

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

As at 31 December 2016, the Group's trade receivables of approximately HK$3.1 million (2015: HK$0.4 million) were pledged with banks to secure banking facilities granted to the Group (Note 25(b)).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000 (Restated)
Prepayments*	**26,149**	63,126
Deposits and other receivables	**26,261**	36,314
Loans to an associate ("P2MT")**	**1,000**	–
Due from non-controlling shareholders of a subsidiary	**1,144**	651
	54,554	100,091
Non-current portion:	**20,567**	58,804
Current portion:	**33,987**	41,287

* Prepayments included prepaid fees to an independent third party for services relating to negotiation and execution of energy saving projects in the PRC, which was amortised to the cost of sales amounting to HK$3,486,000 (2015: HK$4,657,000).

** Loans to an associate bear interest at a rate of 3% per annum and are repayable in three years. During the year, the interest income generated from the loans was HK$5,000 (2015: Nil).

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equity investments, at market value	**427**	256

The above equity investments at 31 December 2015 and 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**264,702**	182,515
Time deposits	**77,625**	32,517
	342,327	215,032
Less: Pledged time deposits for bank and other borrowings *(note 25(b))*	**(8,698)**	(10,527)
Cash and cash equivalents	**333,629**	204,505
Cash and bank balances denominated in		
– Renminbi ("RMB")	**143,187**	61,353
– United States dollars ("US$")	**133,170**	65,243
– HK$	**56,461**	77,660
– Other currencies	**811**	249
Cash and cash equivalents	**333,629**	204,505

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

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

As at 31 December 2016, the Group's fixed deposits denominated in HK$ of approximately HK$6.7 million (As at 31 December 2015: HK$6.6 million) and bank deposits denominated in US$ of approximately HK$2 million (As at 31 December 2015: HK$3.9 million) were pledged with banks to secure banking facilities granted to the Group (Note 25(b)).

23. TRADE AND BILLS PAYABLES

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

	2016 HK$'000	2015 HK$'000 (Restated)
Within 30 days	**92,201**	72,041
31 to 60 days	**79,553**	56,982
61 to 90 days	**20,182**	22,686
Over 90 days	**10,201**	8,869
	202,137	160,578

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

24. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Deposits received from customers	**16,621**	7,618
Other payables	**8,165**	10,097
Salary and welfare payables	**28,693**	20,446
Due to non-controlling shareholders of a subsidiary	**174**	–
Accruals	**9,416**	7,368
	63,069	45,529

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015 (Restated)		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdraft, secured	**0-1 over prime rate**	**On demand**	**3,761**	0-1 over prime rate	On demand	7,729
Trust receipt loans, secured	**2-2.25 over HIBOR**	**On demand**	**1,532**	2-2.25 over HIBOR	On demand	1,207
Bank loans, secured	**1.55-3 over HIBOR**	**On demand**	**82,913**	1.55-3 over HIBOR	On demand	9,442
Bank loans, unsecured	**1-3.5 over HIBOR**	**On demand**	**236,792**	1.25-3 over HIBOR	On demand	126,250
Finance lease payables	**3-5**	**2017**	**740**	3-5	2016	1,131
			325,738			145,759
Non-current						
Finance lease payables	**3-5**	**2019**	**1,097**	3-5	2017-2019	1,837
			326,835			147,596

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

	2016 HK$'000	2015 HK$'000 (Restated)
Analysed into:		
Bank and other loans repayable:		
Within one year	**202,835**	88,846
In the second year	**51,519**	27,072
In the third to fifth years	**70,644**	28,710
	324,998	144,628

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

The Group regularly monitor its compliance with these covenants, are up to date with the scheduled repayments of the bank loans and do not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. During the year ended 31 December 2016, none of the lenders had exercised their rights to demand immediate repayment of drawn down facilities, either at their sole discretion or due to any breach of covenants.

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

(b) The bank and other borrowings were secured by the following:

(i) the pledge of the Group's fixed deposits denominated in HK$ of approximately HK$6.7 million (As at 31 December 2015: HK$6.6 million) and bank deposits denominated in US$ of approximately HK$2 million (As at 31 December 2015: HK$3.9 million);

(ii) the Group's trade receivables of HK$3.1 million (As at 31 December 2015: HK$0.4 million);

(iii) the Group's leasehold property in Hong Kong of HK$186 million (As at 31 December 2015: Nil); and

(iv) the banking facilities granted to a subsidiary, Southchina Engineering and Manufacturing Limited, were also secured by personal guarantees given by its non-controlling shareholders.

(c) As at 31 December 2016, the Group's total available banking facilities amounted to approximately HK$673 million (As at 31 December 2015: HK$503 million), of which approximately HK$344 million (As at 31 December 2015: HK$357 million) was unutilised.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

	Minimum lease payments 2016 HK$'000	Minimum lease payments 2015 HK$'000	**Present value of minimum lease payments 2016 HK$'000**	Present value of minimum lease payments 2015 HK$'000
Amounts payable:				
Within one year	**800**	1,238	**740**	1,131
In the second year	**582**	800	**551**	740
In the third to fifth years, inclusive	**556**	1,138	**546**	1,097
Total minimum finance lease payments	**1,938**	3,176	**1,837**	2,968
Future finance charges	**(101)**	(208)		
Total net finance lease payables	**1,837**	2,968		
Portion classified as current liabilities	**(740)**	(1,131)		
Non-current portion	**1,097**	1,837		

26. DEFERRED TAX

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

Deferred tax assets

	Related depreciation in excess of depreciation allowance HK$'000	Provision HK$'000	Total HK$'000
At 1 January 2015	593	1,280	1,873
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	364	261	625
Gross deferred assets at 31 December 2015 and 1 January 2016	**957**	**1,541**	**2,498**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**287**	**110**	**397**
Gross deferred assets at 31 December 2016	**1,244**	**1,651**	**2,895**

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000
At 1 January 2015	(1,347)
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	99
Gross deferred liabilities at 31 December 2015 and 1 January 2016	**(1,248)**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**97**
Gross deferred liabilities at 31 December 2016	**(1,151)**

26. DEFERRED TAX (Continued)

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

	2016 HK$'000	2015 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**1,859**	1,463
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(115)**	(213)

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

	2016 HK$'000	2015 HK$'000
Tax losses	**56,361**	55,250

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised. Except for the estimated tax losses of HK$23,647,000 (2015: HK$25,563,000) expiring within five years, the remaining tax losses have no expiry.

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

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$14,025,000 at 31 December 2016 (2015: HK$8,740,000).

27. SHARE CAPITAL

	2016	2015
	HK$'000	HK$'000
Issued and fully paid:		
5,256,000 (2015: 4,496,000) ordinary shares	**5,256**	4,496

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
	HK$'000	HK$'000	HK$'000	
At 1 January 2015	345,862,000	3,459	42,568	46,027
Bonus issues of shares	34,586,200	345	(345)	–
Issue of new shares	69,172,000	692	127,391	128,083
At 31 December 2015 and 1 January 2016	**449,620,200**	**4,496**	**169,614**	**174,110**
Issue of new shares *(a)*	**76,000,000**	**760**	**111,979**	**112,739**
At 31 December 2016	**525,620,200**	**5,256**	**281,593**	**286,849**

Note:

(a) Pursuant to subscription agreements dated 17 August 2016 and 31 October 2016 entered into by the Company with investors, the Company allotted and issued 52,562,020 new shares and 23,437,980 new shares respectively on 3 November 2016 and 19 December 2016, at a placing price of HK$1.49 per share. Details of the placing were set out in the announcements dated 17 August 2016 and 31 October 2016 issued by the Company.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 57 of the financial statements.

Reserve fund

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

29. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**16,600**	20,759
In the second to fifth years, inclusive	**32,990**	50,638
After five years	**5,805**	7,799
	55,395	79,196

30. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

31. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at the end of the year.

32. RELATED PARTY TRANSACTIONS

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

	2016 HK$'000	2015 HK$'000
Sales of goods to an associate, Yichun Yilian (i)	**7,401**	1,612
Rental expenses paid to Profit Home Investments Limited (ii)	**1,800**	1,800

(i) Alltronics Tech. Mftg. Limited ("ATM"), a wholly-owned subsidiary of the Group purchased printers and toners from Sojitz Corporation (being a supplier in Japan) and then re-sell them to Yichun Yilian at a mark up.

(ii) Ms. Yeung Po Wah and Mr. Lam Chee Tai, Eric are executive directors of the Company, and have 60% and 20% equity interests in Profit Home Investments Limited, respectively. The rental was determined according to negotiation with the counterparties. This related party transaction also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Fees	**1,118**	1,064
Salaries and other short-term employee benefits	**30,685**	23,260
Pension costs – defined contribution plans	**252**	252
Total compensation paid to key management personnel	**32,055**	24,576

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(3) Outstanding balances with related parties

(i) Details of the Group's loans to its associate as at the end of the reporting period are included in note 20 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016	Held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Financial assets			
Trade receivables	–	185,101	185,101
Financial assets included in deposits and other receivables	–	28,405	28,405
Cash and cash equivalents	–	333,629	333,629
Pledged deposits	–	8,698	8,698
Financial assets at fair value through profit or loss	427	–	427
Long term receivables	–	23,214	23,214
	427	579,047	579,474

2016	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Interest-bearing bank and other borrowings	326,835
Trade and bills payables	202,137
Financial liabilities included in other payables and accruals	24,960
	553,932

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015	Held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Financial assets				
Trade receivables	–	113,754	–	113,754
Financial assets included in deposits and other receivables	–	36,965	–	36,965
Cash and cash equivalents	–	204,505	–	204,505
Pledged deposits	–	10,527	–	10,527
Financial assets at fair value through profit or loss	256	–	–	256
Available-for-sale investments	–	–	5,000	5,000
Long term receivables	–	26,540	–	26,540
	256	392,291	5,000	397,547

2015	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss (Held for trading) HK$'000	Total HK$'000
Financial liabilities			
Interest-bearing bank and other borrowings	147,596	–	147,596
Trade and bills payables	160,578	–	160,578
Financial liabilities included in other payables and accruals	17,715	–	17,715
Derivative financial instruments	–	3,876	3,876
	325,889	3,876	329,765

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2016 and 2015, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

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

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

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

The fair values of the non-current portion of long term receivables, finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables and interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant. The fair values of listed equity investments are based on quoted market prices.

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

Assets measured at fair value:

As at 31 December 2016	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
Equity investments at fair value through profit or loss	**427**

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2015	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
Equity investments at fair value through profit or loss	256

Liabilities measured at fair value:

As at 31 December 2015	Fair value measurement using significant observable inputs (Level 2) HK$'000
Derivative financial instruments	3,876

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 88.2% and 87.8% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst all inventory costs were denominated in the units' functional currencies.

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

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	HK$'000	HK$'000
As at 31 December 2016			
If HK$ weakens against RMB	**5**	**(600)**	**(6,351)**
If HK$ strengthens against RMB	**(5)**	**600**	**6,351**
As at 31 December 2015			
If HK$ weakens against RMB	5	(1,922)	(6,234)
If HK$ strengthens against RMB	(5)	1,922	6,234

* Excluding retained profits

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Cash flow and fair value interest rate risk

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

The Group's interest rate risk arose from interest-bearing bank and other borrowings, which were at variable rates and expose the Group to cash flow interest-rate risk.

Interest-bearing bank and other borrowings were at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and interest-bearing bank and other borrowings. Information relating to interest rates of the Group's bank balances, deposits and interest-bearing bank and other borrowings are disclosed in notes 22 and 25, respectively.

As at 31 December 2016, if interest rates on interest-bearing bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK$3,268,000 lower/higher (2015: HK$1,476,000 lower/higher), mainly as a result of higher/lower interest expense on interest-bearing bank borrowings.

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 52.3% and 43.9% of the Group's trade receivables were due from the Group's five largest customers as at 31 December 2016 and 2015, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the maturity analysis set out in note 25. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. If the lenders were to invoke their unconditional rights to call the loans, the full amounts of the loans, together with interests, will be repayable immediately. The maturity analysis for obligations under finance leases is prepared based on the scheduled repayment dates.

The maturity profile of financial liabilities as at 31 December 2016 and 2015, based on the contractual undiscounted payments, are as follows:

	2016		
	Less than 1 year HK$'000	**Over 1 year HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**207,410**	**127,771**	**335,181**
Trade and bills payables	**202,137**	**–**	**202,137**
Financial liabilities included in other payables and accruals	**24,960**	**–**	**24,960**
	434,507	**127,771**	**562,278**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2015 (Restated)		
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	93,914	59,972	153,886
Trade and bills payables	160,578	–	160,578
Financial liabilities included in other payables and accruals	17,715	–	17,715
Derivative financial instruments	3,876		3,876
	276,083	59,972	336,055

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio. Gearing ratio is defined as interest-bearing bank and other borrowings divided by total equity. The gearing ratio at the end of the year was as follows:

	2016 HK$'000	2015 HK$'000
Interest-bearing bank and other borrowings	**326,835**	147,596
Less:		
Cash and cash equivalents	**(333,629)**	(204,505)
Net debt	**(6,794)**	(56,909)
Total equity	**486,651**	361,414
Gearing ratio	**N/A**	N/A

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interests held by non-controlling interests:		
Dynamic Progress International Limited	49%	49%
Southchina Engineering and Manufacturing Limited	49%	49%

	2016 HK$'000	2015 HK$'000
Profit/(Loss) for the year allocated to non-controlling interests:		
Southchina Engineering and Manufacturing Limited	5,425	5,159
Dynamic Progress International Limited	(590)	(2,500)
Accumulated balances of non-controlling interests at the reporting date:		
Southchina Engineering and Manufacturing Limited	21,896	17,316
Dynamic Progress International Limited	(26,959)	(26,369)

The following tables illustrate the summarised financial information of Southchina Engineering and Company Limited and Dynamic Progress International Limited. The amounts disclosed are before any inter-company eliminations:

2016	Southchina Engineering and Manufacturing Limited HK$'000	Dynamic Progress International Limited HK$'000
Revenue and other income	234,949	3,780
Cost and expenses	(221,834)	(4,984)
Tax	(2,043)	–
Profit/(loss) for the year	11,072	(1,204)
Total comprehensive income/(loss) for the year	11,072	(1,204)
Current assets	124,873	2,280
Non-current assets	9,900	372
Current liabilities	(90,192)	(58,251)
Non-current liabilities	–	–
Net cash flows (used in)/from operating activities	(4,409)	9
Net cash flows (used in)/from investing activities	(562)	151
Net cash flows from financing activities	5,360	–
Net increase in cash and cash equivalents	389	160

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

2015	Southchina Engineering and Manufacturing Limited HK$'000	Dynamic Progress International Limited HK$'000
Revenue and other income	192,620	5,992
Cost and expenses	(179,842)	(11,093)
Tax	(2,244)	–
Profit/(Loss) for the year	10,534	(5,101)
Total comprehensive income/(loss) for the year	10,534	(5,101)
Current assets	87,994	1,599
Non-current assets	11,311	1,061
Current liabilities	(63,860)	(57,055)
Non-current liabilities	(210)	–
Net cash flows from/(used in) operating activities	13,812	(469)
Net cash flows used in investing activities	(3,681)	(172)
Net cash flows from financing activities	5,774	–
Net increase/(decrease) in cash and cash equivalents	15,905	(641)

37. EVENTS AFTER THE REPORTING PERIOD

On 19 September 2016, the Company entered into an acquisition agreement with Bonroy International Group Limited for the purchase of 100% equity interests in Bonroy Limited, a wholly-owned subsidiary of Bonroy International Group Limited, at a price of US$1.00.

Bonroy Limited was established in The Independent State of Samoa on 20 May 2016 (Total paid up capital US$1.00) and its registered office is located in Sertus Incorporations (Samoa) Limited, Sertus Chambers, P.O. Box 603, Apia, Samoa. Bonroy Limited engages in investment holding and owns the entire interest in a shopping mall known as "Pretty Shopping Centre" located in Beijing through Beijing Wan Heng Da Investment Company Limited, an indirect wholly-owned subsidiary of Bonroy Limited.

Details of the acquisition were included in the circular dated 23 December 2016 issued by the Company. On 24 January 2017, completion of the acquisition pursuant to the terms and conditions of the acquisition agreement took place. Upon completion of the acquisition, the Company indirectly owns the entire interest in "Pretty Shopping Centre" through Bonroy Limited, which has become a wholly-owned subsidiary of the Group. The assessment of the fair values of the identifiable assets and liabilities acquired from Bonroy Limited as at the acquisition date is still in progress.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Available-for-sale financial assets	–	5,000
Investment in an associate	15,093	–
Amounts due from subsidiaries	214,461	214,071
Investment in subsidiaries	9,975	9,975
Total non-current assets	239,529	229,046
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,194	193
Tax recoverable	–	23
Cash and cash equivalents	97,557	2,867
Total current assets	98,751	3,083
CURRENT LIABILITIES		
Other payables	1,001	1,625
Total current liabilities	1,001	1,625
NET CURRENT ASSETS	97,750	1,458
Net assets	337,279	230,504
EQUITY		
Share capital	5,256	4,496
Reserves *(note)*	332,023	226,008
Total equity	337,279	230,504

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium account HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2015	42,568	42	57,650	100,260
Total comprehensive income for the year	–	–	45,393	45,393
Issue of shares	127,391	–	–	127,391
Bonus issue of shares	(345)	–	–	(345)
Interim 2015 dividend paid	–	–	(19,022)	(19,022)
Final 2014 dividend paid	–	–	(27,669)	(27,669)
At 31 December 2015 and 1 January 2016	**169,614**	**42**	**56,352**	**226,008**
Total comprehensive income for the year	**–**	**–**	**38,998**	**38,998**
Issue of shares	**111,979**	**–**	**–**	**111,979**
Interim 2016 dividend paid	**–**	**–**	**(22,481)**	**(22,481)**
Final 2015 dividend paid	**–**	**–**	**(22,481)**	**(22,481)**
At 31 December 2016	**281,593**	**42**	**50,388**	**332,023**

39. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2016:

	Year ended 31 December				
	2016	2015	2014	2013	2012
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,023,550**	886,305	957,451	775,882	788,688
Profit before income tax	**98,438**	59,590	61,727	54,630	48,828
Income tax expense	**(21,848)**	(15,521)	(14,881)	(12,964)	(11,542)
Profit for the year	**76,590**	44,069	46,846	41,666	37,286
Non-controlling interests	**(4,832)**	(2,659)	(1,614)	3,966	976
Profit attributable to owners of the Company	**71,758**	41,410	45,232	45,632	38,262
Assets and liabilities					
Total assets	**1,089,579**	729,240	556,107	553,890	472,064
Total liabilities	**(602,928)**	(367,826)	(311,013)	(309,259)	(244,813)
Total equity	**486,651**	361,414	245,094	244,631	227,251

Note:

(1) The results of the Group for each of the two years ended 31 December 2016 and 2015 and its assets and liabilities as at 31 December 2016 and 2015 are those set out on pages 53 to 56 of this report and are presented on the basis as set out in note 2 to the consolidated financial statements.