

# Leeport

力豐（集團）有限公司

LEEPOR (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0387)

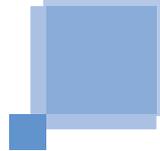


ISO 9001:2008  
CERTIFICATE NO. FS 84667

A large graphic of a map of China is centered on the page, composed of white puzzle pieces. The map is color-coded by province: blue in the northwest, orange in the west, yellow in the north, red in the northeast, green in the south, and purple in the east. Surrounding the map are several images of industrial manufacturing equipment, including a coordinate measuring machine (CMM) in the top left, a large industrial machine in the top center, a blue workbench in the bottom left, and a tray of precision-ground metal parts in the bottom right.

## A Total Solution in Manufacturing Technology

Annual Report  
2015



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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. LEE Sou Leung, Joseph (*Chairman*)  
Mr. CHAN Ching Huen, Stanley  
Mr. WONG Man Shun, Michael  
Mr. CHU Weiman

#### Independent Non-Executive Directors

Mr. PIKE, Mark Terence  
Dr. LEE Tai Chiu  
Mr. ZAVATTI Samuel

### COMPANY SECRETARY

Mr. CHAN Ching Huen, Stanley

### MEMBERS OF AUDIT COMMITTEE

Mr. PIKE, Mark Terence (*Chairman*)  
Dr. LEE Tai Chiu  
Mr. ZAVATTI Samuel

### MEMBERS OF REMUNERATION COMMITTEE

Mr. LEE Sou Leung, Joseph  
Mr. PIKE, Mark Terence  
Dr. LEE Tai Chiu (*Chairman*)  
Mr. ZAVATTI Samuel

### MEMBERS OF NOMINATION COMMITTEE

Mr. LEE Sou Leung, Joseph (*Chairman*)  
Mr. PIKE, Mark Terence  
Dr. LEE Tai Chiu  
Mr. ZAVATTI Samuel

### SOLICITORS

Stevenson, Wong & Co

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants

### PRINCIPAL BANKERS

Standard Chartered Bank  
Chong Hing Bank Limited  
BNP Paribas, Hong Kong Branch  
KBC Bank NV  
The Bank of Tokyo – Mitsubishi UFJ, Ltd.  
China Citic Bank International Limited

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor, Block 1  
Golden Dragon Industrial Centre  
152-160 Tai Lin Pai Road  
Kwai Chung  
New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

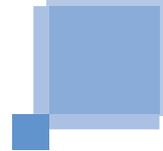
### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### WEBSITE

[www.leeport.com.hk](http://www.leeport.com.hk)

## Chairman's Statement



The Board of Directors (the "Directors") of Leeport (Holdings) Limited (the "Company") would like to present the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2015, together with the comparative figures for the year ended 31st December 2014. The annual results have been reviewed by the Audit Committee of the Company.

### FINANCIAL PERFORMANCE

#### Sales

Year 2015 was a challenging year for the manufacturing industry in China. The growth rate in the value of the country's industrial production was lower than in 2014, and the value of its exports in 2015 also fell, as compared with 2014. The business of the Group in 2015 was marginally maintained and was close to that of 2014 in terms of value. The Group's sales amounted to HK\$674,980,000, compared with HK\$678,215,000 in 2014, a decrease of 0.5%. Actually, the sales figures for the Group's China operations were adversely affected by the weakening Renminbi in 2015, when the books were converted to the Hong Kong Dollar. The Group's gross profit amounted to HK\$123,410,000 in 2015, compared with HK\$131,174,000 in 2014, a decrease of 5.9%. The gross profit percentage was 18.3% in 2015, 1% lower than the gross profit percentage of 19.3% in 2014. The competitive market in 2015 caused this lower gross profit percentage for some of the sales during the year.

#### Other Income and Gains

The total value of other income and gains was HK\$18,443,000 in 2015, compared with HK\$22,865,000 in 2014, representing a decrease of 19.3%.

Service income was HK\$9,626,000 in 2015, compared with HK\$15,804,000 in 2014, representing a decrease of 39.1%. The service income from both Central and North China was significantly lower than in 2014.

On the other hand, commission income was HK\$2,030,000 in 2015, much higher than the amount of HK\$713,000 in 2014.

The income from the management fee from the associated company, Mitutoyo Leeport Metrology Corporation, was HK\$1,433,000 in 2015, compared with HK\$1,404,000 in 2014. Rental income was HK\$1,511,000 in 2015, compared with HK\$1,617,000 in 2014, because one premises was vacant for a short period of time. There was a loss of HK\$1,774,000 in 2015 due to the forward contracts for the weakening Japanese Yen and the Euro. The loss for the forward contracts in 2014 was HK\$3,539,000.

#### Operating Expenses

Selling and distribution costs were HK\$28,074,000 in 2015, compared with HK\$34,508,000 in 2014, representing a decrease of 18.6%. There were reductions in the cost of warranty service provision, logistics costs and exhibition expenses in the year as compared with 2014.

Administrative expenses amounted to HK\$107,391,000 in 2015, compared with HK\$112,048,000 in 2014, representing a decrease of 4.2%. There was a reduction in staff costs due to the re-structuring of the Group since 2014. Travelling expenses were also lower because of better control over the operations. The cost of operating leases was also lower, resulting from the integration of the warehouse operation in China.

### Share of Profit of Associated Companies

The share of profits of associated companies in 2015 was HK\$16,307,000, compared with HK\$16,685,000 in 2014, representing a decrease of 2.3%.

The share of profit of the associated company, Mitutoyo Leepport Metrology Corporation, was HK\$12,264,000 in 2015, compared with HK\$13,027,000 in 2014, representing a decrease of 5.9%. The business for Mitutoyo Leepport Metrology Corporation slowed down slightly in the second half of 2015. There was also an exchange loss in 2015 due to the weakening Japanese Yen throughout most of the year, which caused a lower net profit at the end of 2015. The share of profit of OPS Ingersoll Funkenerosion GmbH was HK\$6,903,000 in 2015, compared with HK\$6,099,000 in 2014, representing an increase of 13.2%. The business for OPS Ingersoll continued to be outstanding in Germany and Europe. On the other hand, there was a share of loss amounting to HK\$2,860,000 for the joint-venture plant, Prima Power Suzhou Company Limited, in 2015. The share of the loss was HK\$2,441,000 in 2014. The plant generated around HK\$75 million in revenue in 2015 after the commencement of production during the year, and the merging of the import business with Prima Power China, another subsidiary of Prima Industrie S.p.A. However, the actual revenue for the year was significantly below budget. Depreciation for the production facilities and the start-up costs also increased the burden for the plant's operating costs. Leepport's shareholding in Prima Power Suzhou Company Limited increased from 19% in 2014 to 30% in 2015. It is expected that our joint-venture company with Prima Power in China will become profitable in 2016.

### Finance Expenses – Net

Finance costs net of interest income were HK\$223,000 in 2015, compared with HK\$605,000 in 2014. Finance costs were HK\$3,023,000 in 2015, compared with HK\$3,661,000 in 2014, representing a decrease of 17.4%. In general throughout the year, the short-term loan level, including the trust receipt loan, was lower than in 2014. Finance income was HK\$2,800,000, compared with HK\$3,056,000 in 2014, representing a decrease of 8.4%. Interest income derived from the loan to OPS Ingersoll Funkenerosion GmbH was HK\$1,228,000 in 2015, compared with HK\$1,469,000 in 2014. The reduction was due solely to the weakening Euro during the year, as the loan interest was in Euro base. Interest income from other bank deposits in 2015 was slightly lower than in 2014.

### Profit Attributable to Owners of the Company and Earnings Per Share

The profit attributable to owners of the Company was HK\$21,458,000 in 2015, compared with HK\$22,565,000 in 2014, representing a decrease of 4.9%. The lower gross profit in 2015 compared with 2014 caused the lower operating profit in 2015. The reduction in service income in 2015 also adversely affected the operating profit in 2015. On the other hand, the Group achieved a significant reduction in selling and distribution costs and administrative expenses in 2015. The operating profit was HK\$6,388,000 in 2015, compared with HK\$7,483,000 in 2014, representing a decrease of 14.6%.

The basic earnings per share were HK9.63 cents in 2015, compared with the basic earnings per share of HK10.17 cents in 2014, representing a decrease of 5.3%.

### DIVIDEND

An interim dividend of HK3.5 cents per ordinary share, totaling HK\$7,829,000 was paid to the shareholders of the Company on 16th October 2015.

The Directors recommended a final dividend of HK1.5 cents per ordinary share, totaling HK\$3,355,000 (2014: the final dividend was HK3.5 cents per ordinary share, totaling HK\$7,829,000). This recommendation is subject to the approval of the shareholders at the forthcoming Annual General Meeting, which will be held on 27th May 2016. Upon the approval of the shareholders, the final dividend warrant will be payable on or before 24th June 2016 to shareholders of the Company whose names appear on the register of members on 10th June 2016.

The total dividend paid per ordinary share for the year ended 31st December 2015 will be HK5.0 cents, compared with HK3.5 cents per ordinary share for the year ended 31st December 2014, representing an increase of 42.9%.

### BUSINESS REVIEW

During 2015, the global economy remained fragile compared with 2014. China's economy followed that trend and did not recover, even though it was already stronger than that of many other countries. China's GDP growth rate in 2015 was 6.9%, and it has dropped gradually since 2010. The value of industrial production grew by 5.9%, compared with 6.9% in 2014. The value of exports fell by 1.8%, compared with a growth rate of 4.9% in 2014.

The Group's overall sales of measuring instruments, tools and machine tools in 2015 were about the same as in 2014. The major source of orders for the Group in 2015 was from the car manufacturing and mobile phone industries. In China, the production of cars reached 24.5 million units in 2015, growing by 3.3% over 2014. The production of mobile phones grew by 7.8% during the year. During 2015 there was also a fair demand for equipment in other customer segments, including telecommunications, switchgear and elevators.

The value of the Group's outstanding contracts was HK\$175,900,000 at the end of February 2016, compared with HK\$226,513,000 at the end of February 2015, due to a big contract signed with a key customer at the beginning of 2015. We still feel positive about our current sales pipeline.

The business of the associated company, Mitutoyo Looport Metrology Corporation, in the second half of 2015 was slightly lower than in the first half of 2015. However, this is unlikely to be a concern in 2016. OPS Ingersoll Funkenerosion GmbH continued to be strong in Europe, especially in Germany. The performance of the joint-venture plant, Prima Power Suzhou Company Limited, was unsatisfactory, but we expect that there will be significant improvements in 2016.

The competitive market for machine tools resulted in a lower gross profit for some sales in 2015. The service income from Central and North China also fell during the year. On the other hand, the Group achieved significant reductions in selling and distribution costs and administrative expenses. The Group's net profit of HK\$21,458,000 in 2015 was 4.9% lower than the net profit in 2014 (2014: HK\$22,565,000), and this was a fair result given the difficult business situation.

### FUTURE PLANS AND PROSPECTS

China's economy is unlikely to recover in 2016. Last year, the Chinese government was not able to turn the declining economic situation around, and the weak global economy is affecting China's export business. The country has to solve the problem of over-capacity in many industries. The strategic direction of "supply-side reform" aims at eliminating over-capacity and focuses on high-value, cost-effective production. Given this transitional period, China has to endure low economic growth.

The Group expects that the Chinese government's promotion of the "One Belt One Road" economic model will drive the export of products related to telecommunications, power supply, railway systems, high-speed trains and infrastructure. The demand for manufacturing equipment and tools will probably rise in the near future. In the short term, the car manufacturing and mobile phone industries are likely to continue to be the Group's major customer base.

The newly acquired property in Shanghai was opened in early 2016. It includes a showroom, a training centre and a warehouse. This facility will enhance the Group's sales capability in Central China. One of the strategic targets in 2016 is to increase the Group's market share in Central and North China. The Group is striving to expand the front-line sales team, and quite a number of new salespeople have joined the Group since last year.

We expect that the business for the associated company, Mitutoyo Leepport Metrology Corporation, will maintain a moderate growth in 2016. The business of OPS Ingersoll Funkenerosion GmbH, which is restricted by the company's production capacity, is likely to be more or less the same as in 2015. Since last year, the income source for the joint-venture plant, Prima Power Suzhou Company Limited, has included not only the production of local machines but also the trading of and service support for imported machines from Europe. Unfortunately, the order intake of Prima Power Suzhou Company Limited in 2015 was significantly lower than expected. However, things look more promising for 2016, because the order intake situation is improving.

The Group will continue to explore business opportunities in new products and partnerships with suppliers.

The business situation in 2016 is challenging. The Group will therefore further enhance its sales management and key account management, and will maintain a more cost-effective operation.

I am confident that the Group's business in 2016 will be better than in 2015.

Finally, on behalf of the Board, I would like to express my gratitude to our shareholders, customers, suppliers, bankers, business associates and staff in the past year. I thank them sincerely for their support and contribution in 2015.

**Lee Sou Leung, Joseph**

*Chairman*

21st March 2016

# Management's Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

The balance of cash net of overdraft of the Group as at 31st December 2015 was HK\$45,228,000 (31st December 2014: HK\$57,154,000). The Group maintained a reasonable cash position. The Group's inventory balance as at 31st December 2015 was HK\$62,231,000 (31st December 2014: HK\$80,899,000). The turnover days of inventory was 41 at the end of December 2015, compared with 54 at the end of December 2014. The inventory level was lower at 31st December 2015 than at 31st December 2014. This was due to the delivery of more cutting tools from suppliers by the end of 2014, so that we could catch up on the outstanding contracts on hand. The balance of trade receivables and bills receivable was HK\$115,055,000 as at 31st December 2015 (31st December 2014: HK\$106,073,000). The turnover day of trade receivable was 62, which was higher than the figure of 57 at the end of December 2014. The higher turnover days of trade receivable was due to the change of registered office for LEEPOT Machine Tool Trading (China) Limited in Shanghai. The registration took two months to complete and caused a delay in the issue of VAT invoices by the end of 2015. The balance of trade payables and bills payable was HK\$103,702,000 as at 31st December 2015 (31st December 2014: HK\$107,270,000). The balance of short-term borrowings was HK\$134,175,000 as at 31st December 2015 (31st December 2014: HK\$144,390,000). The Group deliberately reduced the pledged loan balances in order to save bank interest during the year.

The Group's net gearing ratio was approximately 24.7% as at 31st December 2015 (31st December 2014: 24.5%). The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalent.

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2015, the Group had aggregate banking facilities of approximately HK\$803,194,000, of which approximately HK\$207,499,000 was utilised, bearing interest at prevailing market rates and secured by certain leasehold land, land and buildings, investment property and restricted bank deposits of the Group in Hong Kong and Singapore, with an aggregate carrying amount of HK\$234,636,000 (31st December 2014: HK\$259,814,000). The Directors are confident that the Group is able to meet its operational and capital expenditure requirements.

## CAPITAL EXPENDITURE AND CONTINGENT LIABILITIES

During the year 2015, the Group spent a total of HK\$4,307,000 (31st December 2014: HK\$3,791,000) in capital expenditure, primarily consisting of property, plant and equipment. As at 31st December 2015, the Group had capital commitments of HK\$2,004,000 on property, plant and equipment. (31st December 2014: HK\$17,355,000 on property, plant and equipment) In the meantime, a total of HK\$23,870,000 (31st December 2014: HK\$14,557,000) in contingent liabilities in respect of letters of guarantee was given to customers.

## Management's Discussion and Analysis (Continued)

### EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimise the Group's exposure to foreign exchange rate risks.

As at 31st December 2015, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000; (2014: EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; RMB11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for RMB1,726,000; GBP84,000 for HKD1,045,000 and AUD525,000 for HKD3,597,000).

### DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2015, certain land and buildings, leasehold land and investment property restricted bank deposits in Hong Kong and Singapore, with an aggregate carrying value of approximately HK\$234,636,000 (31st December 2014: HK\$259,814,000), were pledged to secure the banking facilities of the Group by way of a fixed charge.

### EMPLOYEES

As at 31st December 2015, the Group had 256 employees (31st December 2014: 321). Of these, 84 were based in Hong Kong, 161 were based in mainland China, and 11 were based in other offices around Asia. Competitive remuneration packages were structured to be commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies and discretionary performance bonuses.

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

Mr. Lee Sou Leung, Joseph, aged 72, the founder and the managing director of the Group, and the chairman of the Board, is responsible for the strategic planning, business development and overall management of the Group. Mr. Lee has around 50 years of experience in the distribution of machine tools, advanced equipment and industrial products. Mr. Lee graduated from Wah Yan College, Hong Kong and Hong Kong Technical College (Certificate in Production Engineering), which was subsequently renamed as the Hong Kong Polytechnic University.

Mr. Chan Ching Huen, Stanley, aged 58, also the company secretary and the chief financial officer of the Group, is responsible for overseeing the Group's financial planning and control, information technology, human resources and administration. Prior to joining the Group in October 2000, Mr. Chan held various managerial positions in the finance departments of several US based multi-national corporations in Hong Kong. Mr. Chan has many years of experience in auditing, financial and accounting management. Mr. Chan is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chan graduated from the Hong Kong Polytechnic (which was subsequently renamed as the Hong Kong Polytechnic University) with a Higher Diploma in Accountancy and he also holds a Master's degree in Business Administration from Brunel University in the United Kingdom.

Mr. Wong Man Shun, Michael, aged 51, was appointed as the managing director of Leeport Precision Machine Tool Company Limited in January 2013. He is currently responsible for all the equipment trading business within the Group. He holds a Bachelor of Science Degree in Engineering from the University of Hong Kong. Mr. Wong joined the Group in 1986 and had been responsible for the trading business of various products in the Group. He was promoted to the director of Leeport Precision Machine Tool Company Limited in January 2004. Mr. Wong is also an Honorary Vice President of the Hong Kong Electrical Appliance Industries Association, an executive committee member of the Hong Kong Mold and Die Council and a Director of the Hong Kong Mold & Product Technology Association.

Mr. Chu Weiman, aged 58, has held various senior positions in the reputable companies with operations in Hong Kong and China. Mr. Chu was stationed in China during the years between 1994 and 2000 and worked for US based multi-national companies. He was a member of the board of directors and general manager of Shanghai Westinghouse Control System Company Limited, the managing director of Cutler-Hammer China, a subsidiary of Eaton Corporation. During the years between 2000 and 2007, Mr. Chu held the position of branch director for Innovation Process and Automation Branch and branch director for Manufacturing Productivity Branch of Hong Kong Productivity Council. He was also a member of the board of directors of Shenzhen Productivity Consulting Company and the Chairman of Shenzhen-Hong Kong Productivity Foundation. These Companies were the subsidiaries of the Hong Kong Productivity Council. Mr. Chu has joined Leeport Tools Limited as the managing director since May 2014. Before he joined the Group, he was the Vice President and Chief Operating Officer of Screw and Fastener (HK) Company Limited, an engineering tools distributor in Hong Kong and China. He also possesses strong relationship with the Hong Kong trade associations and the local government offices of various cities in China. He is currently a General Committee member of The Chinese Manufacturers' Association of Hong Kong. Mr. Chu is a licensed Professional Engineer of the State of California and a member of the American Chamber of Commerce in Shanghai. He holds a bachelor degree in Power Mechanical Engineering from Tsing Hua University, Taiwan; a master of science degree in engineering from the University of California, Los Angeles; and a Master of Business Administration degree from the University of Southern California.

## Biographical Details of Directors and Senior Management (Continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pike, Mark Terence, aged 59, is a member of the Australian Institute of Company Directors (AICD), an associate of The Institute of Chartered Accountants in Australia (ACA) and member of The Hong Kong Institute of Certified Public Accountants (CPA). He holds a Bachelor of Economics, University of Sydney and Masters of Science in Environmental and Natural Resource Economics, National Agricultural University, Lima, Peru. Mr. Pike worked in Hong Kong for many years in the commercial and not for profit sectors. He is currently a director and corporate advisor in Brisbane, Australia.

Dr. Lee Tai Chiu, aged 71, graduated in 1975 with a Doctor degree in Mechanical Engineering from Aston University, Birmingham, UK and a Master degree in Production Technology in 1971 from Brunel University, Uxbridge, UK. He had worked as a graduate engineer at the Harrison & Sons in England. He had joined the now Hong Kong Polytechnic University as a Lecturer, Principal Lecturer, Professor and Associate Head of department. Owing to his contribution in technology, he was awarded an Honorary Professor of the Shandong University of Technology and also appointed as an Honorary Fellow of the University of Warwick, United Kingdom. Apart from his connections with the academic circle, he is quite identified with the Industry as reflected by his many years as an Honorary Consultant of the Hong Kong Metal Manufacturers' Association.

Mr. Zavatti Samuel, aged 69, is the founder of Sadella Advisory Services Limited. He has over thirty years of global experience in major financial institutions, providing managerial as well as executive advisory to management boards. Utilizing his financial expertise, he had also provided advisory to senior executives in major multinational corporations throughout his career. Mr. Zavatti was the Vice Chairman of Global Financial Institutions in The Royal Bank of Scotland and ABN AMRO from 2005-2009. Prior to the Vice Chairman role, Mr. Zavatti was the Global Head of Financial Institutions and Public Sector for ABN AMRO and also was a member of the Executive Committee of the Wholesale Banking Division. Before joining ABN AMRO in 2001, he has had an extensive international career with Bank of America, working in senior positions globally including Athens, London, Cairo, Sydney and Hong Kong. He held his last position for Bank of America in Hong Kong as the Managing Director and Head of Asia Pacific Financial Institutions, which he set up in 1994. Mr. Zavatti graduated from the University of Colorado in 1969. He holds a bachelor of arts degree in History and Economics.

### SENIOR MANAGEMENT

Mr. Sa Wai Keung, aged 54, the director and general manager of metalforming division of the Group. Mr. Sa has many years of experience in sales and marketing in respect of the sheet-metal machinery trading industry. He holds a Higher Diploma in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). Mr. Sa joined the Group in 1988.

Mr. Chan Lai Ming, aged 57, the general manager of LEEPOT Technology Limited. He has extensive experience in marketing CAD/CAM software, rapid prototyping equipment and metrology equipment. Mr. Chan is an associate member of the Hong Kong Rapid Prototyping & Manufacturing Society. Mr. Chan holds a Diploma and a Higher Certificate of Production and Industrial Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and a Master's Degree in Commerce from the University of Strathclyde in the United Kingdom. Mr. Chan joined the Group in July 1979.

Mr. Lee Huat Eng, aged 59, the general manager of LEEPOT (Singapore) Pte. Ltd., is responsible for the marketing, management and business development in Singapore. He holds a Bachelor's Degree in Commerce from Murdoch University, Western Australia and he is also an associate of the Australian Society of Certified Practising Accountants. Mr. Lee joined the Group in August 1992.

# Report of the Directors

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

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the consolidated financial statements.

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2015 are set out in the consolidated income statement on page 34.

The details of dividends paid and declared during the year are set out in Note 29 to the consolidated financial statements.

The Directors recommend the payment of a final dividend of HK1.5 cents (2014: HK3.5 cents) per ordinary share, totalling HK\$3,355,000 (2014: HK\$7,829,000). The total dividend paid per ordinary share for the year ended 31st December 2015 will be HK5.0 cents, compared with HK3.5 cents per ordinary share for the year ended 31st December 2014, representing an increase of 42.9%.

## BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2015 is set out in the section headed "Chairman's Statement" and "Management's Discussion and Analysis" on pages 3 to 8 of this annual report.

## ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the financial year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

## DONATIONS

Charitable and other donations amounted to HK\$28,000 were made by the Group during the year (2014: HK\$27,000).

## SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2015 are set out in Note 17 to the consolidated financial statements.

## Report of the Directors (Continued)

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2015, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$95,789,000 (2014: HK\$99,773,000).

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, 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 is set out on page 116 of the annual report.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### BORROWINGS

Details of the Group's borrowings, including secured bank loans, trust receipt loans and overdrafts as at 31st December 2015 are set out in Note 20 to the consolidated financial statements.

### SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company in the annual general meeting held on 15th May 2013, the Company had adopted a new share option scheme (the "Scheme") to replace the old one for the principal purpose of providing incentives and rewards to eligible participants who contribute to the growth and success of the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite (i) any employees (whether full time or part time) of any member of the Group or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director; (ii) any non-executive director (including independent non-executive director) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent engaged by any member of the Group or Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company. The Scheme became effective on 15th May 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 15th May 2013. There is no change to the terms of the Scheme since adoption.

## Report of the Directors (Continued)

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme and any other share option scheme of the Group is 20,453,406, representing 9.14% of the issued shares of the Company as at the date of this annual report, and such limit is subject to renewal with shareholders' approval. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall require the approval of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue for the time being and with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK\$5 million, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

As an overall limit, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the proposed grantee. The exercise period of the share options granted is determined by the directors, which shall not end on a date more than 10 years from the date on which the share option is granted or deemed to be granted in accordance with the Scheme. Unless otherwise determined by the directors, the Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Details of the Scheme are set out in the circular dated 15th April 2013.

Movement of share options during the year is set out in Note 17 to the consolidated financial statements.

## Report of the Directors (Continued)

### DIRECTORS OF THE COMPANY

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

#### Executive directors

Mr. LEE Sou Leung, Joseph (*Chairman*)  
Mr. CHAN Ching Huen, Stanley  
Mr. WONG Man Shun, Michael  
Mr. CHU Weiman (appointed on 1st February 2015)

#### Independent non-executive directors

Mr. PIKE, Mark Terence  
Dr. LEE Tai Chiu  
Mr. ZAVATTI Samuel

In accordance with Article 87(1) of the Company's Bye-Laws, one third of the directors (or if the number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation at each annual general meeting.

Mr. Chan Ching Huen, Stanley, Mr. Wong Man Shun, Michael and Mr. Pike, Mark Terence are subject to re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by each party thereto giving to the other party three months' prior notice in writing, or three months' basic salary in lieu of notice.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, subsidiaries or its holding company was a party and in which a director of the Company and the directors connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Report of the Directors (Continued)

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 9 to 10.

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

At 31st December 2015, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations and their associates (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO or as notified to the Company, were as follows:

Director		Number of ordinary shares of HK\$0.10 each held				Total	Percentage
		Personal interests	Family interests	Other interests	Share options (Note (c))		
Mr. LEE Sou Leung, Joseph ("Mr. Lee")	Long position	19,580,000 shares	1,396,000 shares (Note (b))	144,529,982 shares (Note (a))	1,000,000 shares	166,505,982 shares	74.44%
Mr. CHAN Ching Huen, Stanley ("Mr. Chan")	Long position	500,000 shares	Nil	Nil	1,000,000 shares	1,500,000 share	0.67%
Mr. WONG Man Shun, Michael ("Mr. Wong")	Long position	432,000 shares	Nil	Nil	1,000,000 shares	1,432,000 shares	0.64%
Mr. CHU Weiman ("Mr. Chu")	Long position	Nil	Nil	Nil	1,000,000 shares	1,000,000 shares	0.45%
Mr. PIKE, Mark Terence ("Mr. Pike")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%
Dr. LEE Tai Chiu ("Dr. Lee")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%
Mr. ZAVATTI Samuel ("Mr. Zavatti")	Long position	Nil	Nil	Nil	110,000 shares	110,000 shares	0.05%

## Report of the Directors (Continued)

- (a) The 144,529,982 shares are held by Peak Power Technology Limited in its capacity as the trustee of The Lee Family Unit Trust holding the same for the benefit of holders of units issued by The Lee Family Unit Trust. HSBC International Trustee Limited is the trustee of the LMT Trust whose discretionary objects are Ms. Tan Lisa Marie and Mr. Lee's family members. The aforesaid shares that Mr. Lee and Ms. Tan are deemed to be interested refer to the same parcel of shares.
- (b) Mr. Lee is the husband of Ms. Tan Lisa Marie. The personal interests of Ms. Tan above are also disclosed as the family interests of Mr. Lee and Ms. Tan is deemed to be interested in all the interests held by her husband.
- (c) Information relation to the share options held by the directors is disclosed in the "Details of options granted by the Company" section.

### SHARE OPTIONS

Other than as disclosed above, and other than those as disclosed below and in the share options section in Note 17 to the consolidated financial statements, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

### DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 31st December 2015, options to subscribe for an aggregate of 7,907,000 shares of the Company granted to Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

Name and Category of participants	Date of grant	Exercise prices of share options HK\$ per share	Exercise periods of share options	At 1st January 2015	Granted during the period	Exercised during the period	At 31st December 2015
<b>Directors</b>							
Mr. LEE Sou Leung, Joseph (Note 1)	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	1,000,000	-	1,000,000
Mr. CHAN Ching Huen, Stanley	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	1,000,000	-	1,000,000
Mr. WONG Man Shun, Michael	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	1,000,000	-	1,000,000
Mr. CHU Weiman	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	1,000,000	-	1,000,000
Mr. PIKE, Mark Terence	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	110,000	-	110,000

## Report of the Directors (Continued)

Name and Category of participants	Date of grant	Exercise prices of share options HK\$ per share	Exercise periods of share options	At 1st January 2015	Granted during the period	Exercised during the period	At 31st December 2015
<b>Directors (Continued)</b>							
Dr. LEE Tai Chiu	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	110,000	-	110,000
Mr. ZAVATTI Samuel	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	110,000	-	110,000
Dr. LUI Sun Wing (Note 6)	15/11/2013	1.13	15/11/2013 to 14/11/2016 (Notes 4 & 5)	1,740,000	-	(1,740,000)	-
Sub-total				1,740,000	4,330,000	(1,740,000)	4,330,000
<b>Employees</b>							
In aggregate	17/03/2015	1.026	17/12/2015 to 16/6/2017 (Notes 2 & 3)	-	3,577,000	-	3,577,000
Total				1,740,000	7,907,000	(1,740,000)	7,907,000

### Notes:

- Mr. LEE Sou Leung, Joseph is substantial shareholder of the Company. As a condition of the grant of options, Mr. Lee undertakes not to exercise any options granted to him to such an extent that the exercise would result in the number of shares held by him and his associates exceeds 75% of the voting rights of the Company.
- The options, granted on 17th March 2015, are exercisable from 17th December 2015 to 16th June 2017 (both days inclusive).
- According on the binomial option pricing model, the fair value of the options granted on 17th March 2015 was estimated at HK\$1,508,000. The key parameters used in the model were as follows:

Date of grant	17th March 2015
Number of share options granted	7,907,000
Share price at date of grant (HK\$)	1.01
Exercise price (HK\$)	1.026
Expected life of options	2.25 years
Annualised volatility	40.47%
Risk free interest rate	0.63%
Dividend payout rate	3.47%

Closing price of the shares of the Company immediately before the date on which the options was granted was HK\$1.02.

## Report of the Directors (Continued)

4. The options, granted on 15th November 2013, are exercisable from 15th November 2013 to 14th November 2016 (both days inclusive).
5. Closing price of the shares of the Company immediately before the date on which the options was granted was HK\$1.13.
6. Dr. LUI Sun Wing resigned as non-executive director of the Company with effect from 1st July 2014.
7. The weighted average closing price of the shares immediately before the dates on which the options were exercised was approximately HK\$2.04.
8. During the period, no options was cancelled or lapsed.

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

At 31st December 2015, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

### **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 CUSTOMERS AND SUPPLIERS**

The aggregate percentage of sales for the year attributable to the Group's five largest customers is less than 30% of total sales for the year and therefore no disclosure with regard to major customers is made.

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

#### **Purchases**

– the largest supplier	39%
– five largest suppliers combined	80%

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

### **CORPORATE GOVERNANCE**

During the year ended 31st December 2015, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:

#### **Code Provision A.2.1**

The Board is of the view that although Mr. LEE Sou Leung, Joseph is the Chairman and the Managing Director of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the company. The Company has no such title as the chief executive officer.

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES (“MODEL CODE”)

For the year ended 31st December 2015, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December 2015 under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

### AUDIT COMMITTEE

The Audit Committee, comprised of three independent non-executive directors of the Company, namely Mr. PIKE, Mark Terence, Dr. LEE Tai Chiu, and Mr. ZAVATTI Samuel has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the condensed consolidated financial statements for the year ended 31st December 2015 with the directors.

### SUFFICIENCY OF THE PUBLIC FLOAT

Based on 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 at least 25% of the Company's issued shares at 21st March 2016.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to rule 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his independence pursuant to rule 3.13 and the Company still considers all the existing independent non-executive directors to be independent.

### PENSION SCHEME ARRANGEMENTS

The Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a current ceiling of HK\$1,500 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the “MPF scheme”) has been set up for employees in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the MPF scheme, and all new employees in Hong Kong are required to join the MPF scheme. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a current ceiling of HK\$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the income statement represent the contributions payable to the funds by the Group.



## Report of the Directors (Continued)

Employees of the Company's subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the Company's overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

Details of the pension scheme contributions of the Group for the year ended 31st December 2015 are set out in Note 24(a) to the consolidated financial statements.

### PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this Director's Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

### AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LEE Sou Leung, Joseph**  
*Chairman*

Hong Kong, 21st March 2016

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) and the management of the Company and its subsidiaries (together, the “Group”) are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group’s goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders’ value.

The Board has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Continuous efforts are made to review and enhance the Group’s internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December 2015, except where otherwise stated.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all directors, the directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

### Board of Directors

The Board comprises:

Executive Directors:

Mr. LEE Sou Leung, Joseph (*Chairman*)  
Mr. CHAN Ching Huen, Stanley  
Mr. WONG Man Shun, Michael  
Mr. CHU Weiman

Independent Non-executive Directors:

Mr. PIKE, Mark Terence  
Dr. LEE Tai Chiu  
Mr. ZAVATTI Samuel

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

## Corporate Governance Report (Continued)

During the financial year ended 31st December 2015, a total of 6 Board meetings and one annual general meeting ("2015 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December 2015	
	Board meetings	2015 AGM
Mr. LEE Sou Leung, Joseph	6/6	1/1
Mr. CHAN Ching Huen, Stanley	6/6	1/1
Mr. WONG Man Shun, Michael	6/6	1/1
Mr. CHU Weiman (During appointment period)	6/6	1/1
Mr. PIKE, Mark Terence	6/6	1/1
Dr. LEE Tai Chiu	6/6	1/1
Mr. ZAVATTI Samuel	6/6	1/1

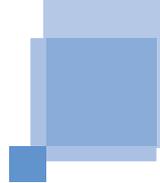
### RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies and operational goals, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

### CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and 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, etc. A Board Meeting in relation to the Board Diversity Policy was held during the year.

The Board held meetings from time to time whenever necessary. The company secretary assists in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed.



## Corporate Governance Report (Continued)

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes at the following board meeting. The Board also ensures that it is supplied in a timely manner with 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.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lee Sou Leung, Joseph is the Chairman and the Managing Director of the Company. Mr. Lee Sou Leung, Joseph has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Board is of the view that although the Chairman is also the Managing Director, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Company has no such title as the chief executive officer.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are appointed for a specific term which may be renewed as each director and the Company may agree. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Bye-laws of the Company (the "Bye-laws").

The Bye-laws of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

### PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

The directors have attended various seminars and meetings organised by such as Chartered Association of Certified Accountants, Hong Kong Institute of Directors and international business school to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. 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.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of nationality, professional background and skills.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the financial statements for the year ended 31st December 2015. Two members have accounting professional qualifications or related financial management expertise. Mr. Pike, Mark Terence is the chairman of the Audit Committee.

## Corporate Governance Report (Continued)

No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. 2 meetings were held during the year ended 31st December 2015. The attendance of each member is set out as follows:

<b>Name of members of Audit Committee</b>	<b>Number of meetings attended in the financial year ended 31st December 2015</b>
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	2/2

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- (a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;
- (b) recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external auditor and approval of their remuneration;
- (c) determination of the nature and scope of the audit; and
- (d) review the financial statements for the relevant periods.

### REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 10th September 2005 comprising the existing three independent non-executive directors and Mr. Lee Sou Leung, Joseph. Dr. Lee Tai Chiu is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company’s website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company’s remuneration policy and structure for all directors’ and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. 2 meetings were held during the year ended 31st December 2015. During the meeting, the committee has reviewed the remuneration policy of the Group and the directors’ remuneration.

The attendance of each member is set out as follows:

<b>Name of members of Remuneration Committee</b>	<b>Number of meetings attended in the financial year ended 31st December 2015</b>
Mr. LEE Sou Leung, Joseph	2/2
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	2/2

The Company has adopted a new share option scheme on 15th May 2013, which serves as an incentive to attract, retain and motivate staff. Details of such share option scheme are set out in Note 17 to the consolidated financial statements.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors’ emolument are set out in note 35 to the consolidated financial statements.

### NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) comprises Mr. Lee Sou Leung, Joseph (“Mr. Lee”) and the existing three independent non-executive directors. Mr. Lee is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company’s website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company’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. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the machinery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. 2 meetings were held during the year ended 31st December 2015. Issues concerning the structure, size and composition of the board of directors were discussed and no significant change has been proposed to the structure, size and composition.

The attendance of each member is set out as follows:

<b>Name of members of Nomination Committee</b>	<b>Number of meetings attended in the financial year ended 31st December 2015</b>
Mr. LEE Sou Leung, Joseph	2/2
Mr. PIKE, Mark Terence	2/2
Dr. LEE Tai Chiu	2/2
Mr. ZAVATTI Samuel	2/2

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other performance of the Company.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group. The consolidated financial statements prepared by the directors of the Company are prepared and presented to enable a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The directors are responsible for overseeing the preparation of consolidated financial statements of each financial period. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

#### Internal Control and Risk Management

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

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

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

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

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

### AUDITORS' REMUNERATION

The amount of fees charged by the Group's auditors in respect of their audit services is disclosed in Note 23 to the consolidated financial statements. The Audit Committee is responsible for reviewing the remuneration and terms of engagement of the external auditors and for making recommendation to the Board regarding any non-audit services to be provided to the Group by the external auditors.

For the year ended 31st December 2015, the fees paid and payable to the auditors were primarily for audit services as there were no material non-audit service assignments undertaken by them.

### COMPANY SECRETARY

Mr. Chan Ching Huen, Stanley was appointed as company secretary of the Company since 2003. The biographical details of Mr. Chan Ching Huen, Stanley are set out under the section headed "Biographical Details of Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Chan has taken no less than 15 hours of relevant professional training during the financial year ended 31st December 2015.

### SHAREHOLDERS' RIGHTS

Shareholder(s) 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 sent to the company secretary of the Company, to require a special 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.

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request to the company secretary of the Company stating the resolution intended to be moved at the general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

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

The above procedures are subject to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business at 1st Floor, Block 1, Golden Dragon Industrial Centre, 152-160 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong or by e-mail to [main@leeport.com.hk](mailto:main@leeport.com.hk) for the attention of the company secretary.

### INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at [www.leeport.com.hk](http://www.leeport.com.hk).

During the year ended 31st December 2015, there had been no significant change in the Company's constitutional documents.

# Independent Auditor's Report



羅兵咸永道

## **TO THE SHAREHOLDERS OF LEEPORT (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Leeport (Holdings) Limited (the “Company”) and its subsidiaries set out on pages 32 to 115, which comprise the consolidated balance sheet as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

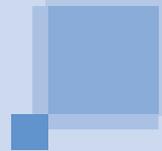
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong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

### **AUDITOR'S RESPONSIBILITY**

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

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

## Independent Auditor's Report (Continued)



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

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

### OPINION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 21st March 2016

# Consolidated Balance Sheet

As at 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	190,522	187,168
Leasehold land	6	8,332	8,895
Investment property	8	43,000	40,400
Investments in associates	10	96,996	81,482
Loan to an associate	33(d)	25,430	28,281
Prepayments	14	19,029	7,449
		<b>383,309</b>	353,675
<b>Current assets</b>			
Inventories	15	62,231	80,899
Trade and bills receivables	14	115,055	106,073
Other receivables, prepayments and deposits	14	20,236	20,618
Available-for-sale financial assets	12	34,016	22,122
Derivative financial instruments	13	320	25
Amount due from an associate	33(c)	–	234
Tax recoverable		357	–
Restricted bank deposits	16	24,151	56,905
Cash and cash equivalents	16	45,476	58,737
		<b>301,842</b>	345,613
<b>Total assets</b>		<b>685,151</b>	699,288
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	17	22,367	22,193
Other reserves	18	157,498	158,377
Retained earnings		179,414	168,563
<b>Total equity</b>		<b>359,279</b>	349,133

## Consolidated Balance Sheet (Continued)

As at 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	21	24,578	23,315
<b>Current liabilities</b>			
Trade payables and bills payables	19	103,702	107,270
Other payables, accruals and deposits received	19	62,454	70,792
Derivative financial instruments	13	458	3,749
Borrowings	20	134,175	144,390
Tax payable		270	639
Amount due to an associate	33(c)	235	–
		<b>301,294</b>	<b>326,840</b>
<b>Total liabilities</b>		<b>325,872</b>	<b>350,155</b>
<b>Total equity and liabilities</b>		<b>685,151</b>	<b>699,288</b>

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

The financial statements on pages 32 to 115 were approved by the Board of Directors on 21st March 2016 and were signed on its behalf

**LEE Sou Leung, Joseph**  
Director

**CHAN Ching Huen, Stanley**  
Director

## Consolidated Income Statement

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Sales	5	674,980	678,215
Cost of goods sold	23	(551,570)	(547,041)
<b>Gross profit</b>		<b>123,410</b>	131,174
Other income and gains – net	22	18,443	22,865
Selling and distribution costs	23	(28,074)	(34,508)
Administrative expenses	23	(107,391)	(112,048)
<b>Operating profit</b>		<b>6,388</b>	7,483
Finance income	25	2,800	3,056
Finance expenses	25	(3,023)	(3,661)
Finance expenses – net	25	(223)	(605)
Share of profits of associates	10	16,307	16,685
<b>Profit before income tax</b>		<b>22,472</b>	23,563
Income tax expense	26	(1,014)	(998)
<b>Profit for the year</b>		<b>21,458</b>	22,565
<b>Profit attributable to:</b>			
Owners of the Company		21,458	22,565
<b>Earnings per share for profit attributable to owners of the Company</b>			
<b>Basic earnings per share (Hong Kong cents)</b>	28	<b>HK9.63 cents</b>	HK10.17 cents
<b>Diluted earnings per share (Hong Kong cents)</b>	28	<b>HK9.56 cents</b>	HK10.17 cents

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>		<b>21,458</b>	22,565
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		–	8,305
Gain on revaluation of land and buildings	18	<b>13,153</b>	9,663
Movement of deferred tax	18	<b>(1,218)</b>	(730)
		<b>11,935</b>	17,238
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets, net of tax	18	<b>(2,461)</b>	4,880
Currency translation differences		<b>(5,524)</b>	(23,213)
Share of other comprehensive loss of associates		<b>(3,078)</b>	(9,770)
		<b>(11,063)</b>	(28,103)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>872</b>	(10,865)
<b>Total comprehensive income for the year</b>		<b>22,330</b>	11,700
Total comprehensive income attributable to owners of the company		<b>22,330</b>	11,700

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

	Attributable to owners of the Company			Total HK\$'000
	Share capital (Note 17) HK\$'000	Other reserves (Note 18) HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2015	22,193	158,377	168,563	349,133
<b>Comprehensive income</b>				
Profit for the year	-	-	21,458	21,458
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	-	13,153	-	13,153
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	-	(5,051)	5,051	-
Movement of deferred tax	-	(1,218)	-	(1,218)
Change of value of available-for-sale financial assets	-	(2,461)	-	(2,461)
Currency translation differences	-	(5,524)	-	(5,524)
Share of other comprehensive loss of associates	-	(3,078)	-	(3,078)
Total other comprehensive income, net of tax	-	(4,179)	5,051	872
<b>Total comprehensive income</b>	-	(4,179)	26,509	22,330
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Employees share option scheme:				
- value of services provided (Note 24)	-	1,508	-	1,508
- exercise of options	174	1,792	-	1,966
Dividend paid relating to 2014	-	-	(7,829)	(7,829)
Dividend paid relating to 2015	-	-	(7,829)	(7,829)
	174	3,300	(15,658)	(12,184)
<b>Total transaction with owners, recognised directly in equity</b>	174	3,300	(15,658)	(12,184)
Balance at 31st December 2015	22,367	157,498	179,414	359,279

## Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st December 2015

	Attributable to owners of the Company			Total HK\$'000
	Share capital (Note 17) HK\$'000	Other reserves (Note 18) HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2014	22,193	173,973	144,596	340,762
<b>Comprehensive income</b>				
Profit for the year	–	–	22,565	22,565
<b>Other comprehensive income</b>				
Gain on revaluation of land and buildings	–	9,663	–	9,663
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	–	(4,731)	4,731	–
Movement of deferred tax	–	(730)	–	(730)
Change of value of available-for-sale financial assets	–	4,880	–	4,880
Currency translation differences	–	(14,908)	–	(14,908)
Share of other comprehensive loss of associates	–	(9,770)	–	(9,770)
Total other comprehensive loss, net of tax	–	(15,596)	4,731	(10,865)
<b>Total comprehensive loss</b>	–	(15,596)	27,296	11,700
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>				
Dividend paid relating to 2013	–	–	(3,329)	(3,329)
	–	–	(3,329)	(3,329)
<b>Total transaction with owners, recognised directly in equity</b>	–	–	(3,329)	(3,329)
Balance at 31st December 2014	22,193	158,377	168,563	349,133

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement

For the year ended 31st December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	10,575	24,129
Interest paid		(3,023)	(3,661)
Income tax (paid)/refund		(1,695)	349
Net cash generated from operating activities		5,857	20,817
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,959)	(2,086)
Prepayment of property, plant and equipment		(19,674)	(626)
Prepayment for investment in an associate	14	–	(6,823)
Proceeds from sale of property, plant and equipment	30(a)	3,649	–
Purchase of available-for-sale financial assets	12	(14,355)	–
Payment for investment in an associate	10	–	(7,224)
Interest received		2,800	3,056
Dividend received from an associate	10	4,538	1,862
Dividend received from available-for-sale financial assets		346	–
Decrease in restricted bank deposits		32,754	82,125
Net cash generated from investing activities		6,099	70,284
<b>Cash flows from financing activities</b>			
Proceeds from collateralised borrowings and bank loans		83,285	76,760
Repayment of collateralised borrowings and bank loans		(92,165)	(155,823)
Proceeds from exercise of share options		1,966	–
Dividends paid to the Company's shareholders		(15,658)	(3,329)
Net cash used in financing activities		(22,572)	(82,392)
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>			
		(10,616)	8,709
Cash, cash equivalents and bank overdrafts at beginning of the year		57,154	51,444
Effect of the exchange rate for the year		(1,310)	(2,999)
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	16	<b>45,228</b>	<b>57,154</b>

The notes on pages 39 to 115 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Leeport (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment.

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21st March 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land in Hong Kong and buildings, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

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

- (i) The following amendments to standards are mandatory for the Group’s financial year beginning on 1st January 2015. The adoption of these amendments has not had any significant impact to the results and financial position of the Group:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle

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

## Notes to the Consolidated Financial Statements (Continued)

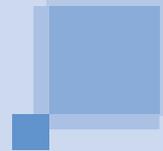
### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of preparation (Continued)

- (ii) The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1st January 2015 and have not been early adopted by the Group:

		<b>Effective for the accounting period beginning on or after</b>
HKAS 1 Amendment	Disclosure Initiative	1st January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1st January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1st January 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1st January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 9 (2014)	Financial Instruments	1st January 2018
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1st January 2016

The Group is currently assessing the impact of the adoption of the above standards, amendments to standards and interpretations to standards that have been issued but are not yet effective for financial years beginning on 1st January 2015, and does not expect there will be a significant impact to the Group's financial statements.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

#### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. During the year, there have been no business combinations in the Group.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

###### (a) Business combinations (Continued)

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

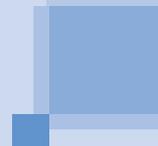
Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

###### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

###### (c) Disposal of subsidiaries

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Associates

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

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

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Associates (Continued)

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

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

#### 2.4 Segment reporting

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

#### 2.5 Foreign currency translation

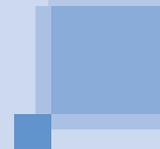
(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Foreign currency translation (Continued)

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency exchange differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Property, plant and equipment

Leasehold land in Hong Kong and buildings comprise mainly offices, warehouses, showrooms and directors' quarters. Leasehold land in Hong Kong and buildings are shown at fair value, based on periodic, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land in Hong Kong and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

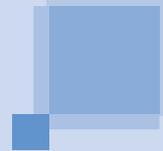
Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Land and buildings	1-4%
Leasehold improvements	10%
Plant, machinery, furniture and equipment	20%
Motor vehicles	20%

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains – net', in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'other income and gains – net'.

#### 2.8 Impairment of non-financial assets

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

#### 2.9 Financial assets

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

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial assets (Continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables and bills receivables', 'other receivables and deposit', 'amounts due from an associate', 'restricted bank deposits' and 'cash and cash equivalents' in the balance sheet.

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

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

#### **Recognition and measurement**

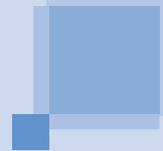
Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other income and gain – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial assets (Continued)

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### *Impairment of financial assets*

###### (a) *Assets carried at amortised cost*

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

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 Financial assets (Continued)

##### Offsetting financial instruments (Continued)

###### *Impairment of financial assets (Continued)*

###### *(b) Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

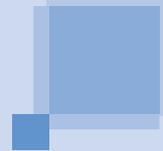
#### 2.10 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value.

The Group does not designate any derivatives as hedging instruments. Changes in fair values of derivatives that do not qualify for hedge accounting are being included in the consolidated income statement as 'other income and gain – net'.

#### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprising all direct costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.12 Trade and other receivables

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

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

#### 2.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### 2.14 Share capital

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

#### 2.15 Trade payables

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

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

#### 2.16 Borrowings

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 Borrowings (Continued)

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

Borrowing costs are recognised in the consolidated income statements in the period in which they are incurred.

#### 2.17 Current and deferred income tax

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

##### (a) *Current income tax*

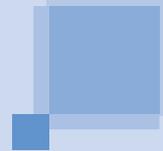
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect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

##### (b) *Deferred income tax*

Inside basis differences

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

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



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) *Offsetting*

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

#### 2.18 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.18 Employee benefits (Continued)

(c) *Pension obligations*

Group companies participate in various defined contribution pension schemes, which are available to all qualified employees, the assets of which are held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant Group companies. Contributions to the schemes by the Group are charged to the consolidated income statement as incurred.

(d) *Share-based payments*

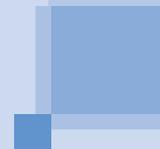
Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);
- and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.18 Employee benefits (Continued)

(d) *Share-based payments (Continued)*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(e) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate employment without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### 2.19 Provisions

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

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

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

The Group recognises a warranty provision for repairs or replacement of products still under warranty period at the end of reporting period. The provision is calculated based on past historical experience of the level of repairs and replacements.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income under service agreements is recognised on a straight-line basis over the life of the agreement. Other service income is recognised when the services are rendered.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

Commission income is recognised when the services are rendered.

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

#### 2.21 Dividend income

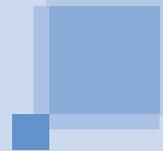
Dividend income is recognised when the right to receive payment is established.

#### 2.22 Leases

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

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

When 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 income statement on the straight-line basis over the lease terms.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Dividend distribution

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the executive directors. The executive directors identify, evaluate and manage financial risks in close co-operation with the Group's operating units.

#### (a) Foreign exchange risk

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency by using forward contracts, translated with group treasury. The functional currency of the entity should primarily be determined with reference to the primary economic environment in which an entity operates and this will normally be the one in which it primarily generates and expends cash.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Foreign exchange risk arises when future commercial transactions and net monetary assets and liabilities are denominated in a currency that is not the entity's functional currency.

The foreign exposure of group entities with functional currency of JPY is mainly exposed to United States dollars ("USD"), Euro ("EUR"), HKD and Renminbi ("RMB").

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

##### (a) Foreign exchange risk (Continued)

As at 31st December 2015, a 5% strengthening/weakening of the JPY against USD, EUR, HKD and RMB, the post-tax profit of the year would have increased/decreased by HK\$1,056,000 (2014: increased/decreased by HK\$838,000), decreased/increased by HK\$85,000 (2014: increased/decreased by HK\$22,000), increased/decreased by HK\$493,000 (2014: increase/decreased by HK\$540,000) and increased/decreased by HK\$1,000 (2014: increased/decreased by HK\$97,000) respectively, mainly as a result of foreign exchange gain/losses on translation of trade and other receivables, trade and other payables, derivative financial instruments, borrowings and cash and bank balances which are not denominated in JPY.

The foreign exposure of group entities with functional currency of EUR is mainly exposed to USD, HKD and RMB.

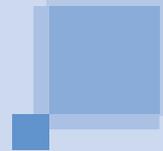
As at 31st December 2015, a 5% strengthening/weakening of the EUR against USD, HKD and RMB, post-tax profit of the year would have decreased/increased by HK\$193,000 (2014: decreased/increased by HK\$236,000), increased/decreased by HK\$235,000 (2014: increased/decreased by HK\$406,000) and decreased/increased by HK\$349,000 (2014: decreased/increased by HK\$61,000) respectively, mainly as a result of foreign exchange gain/losses on translation of trade and other receivables, trade and other payables, derivative financial instruments, borrowings and cash and bank balances which are not denominated in EUR.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2015 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

##### (b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings at variable rates exposed the Group to cash flow interest rate risk. Borrowings at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 20.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

##### (b) Cash flow and fair value interest rate risk (Continued)

During the year end, the borrowings of the Group at variable rates were denominated in HKD, USD, EUR, JPY and no borrowings were at fixed rate. The Group endeavored to maintain the borrowings on a relatively short term basis which would be refinanced when considered as appropriate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit for the year of a 50 basis-point decrease/increase would be an increase/decrease of HK\$549,000 for the year ended 31st December 2015 (2014: HK\$437,000).

##### (c) Credit risk

The Group has no significant concentrations of credit risk. The Group's credit risk arises from cash and cash equivalents, restricted bank deposits, counter party risk in respect of derivative financial instruments, as well as credit exposures to trade and bills receivables as well as other receivables (including amounts due from associates). The Group considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 11.

To manage the counter party risk and credit risk in respect of cash and cash equivalents and restricted bank deposits, cash and deposits are mainly placed with reputable banks which are all high-credit-quality financial institutions. In addition, the Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, appropriate percentage of down payment and to perform periodic credit evaluations of its customers or made in cash. Collection of outstanding receivable balances and authorisation of credit limits to individual customers are closely monitored on an ongoing basis. The Group reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment loss is made for irrecoverable amounts.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counter party's default history. The current portion of trade and bills receivables which are not impaired are analysed below.

## Notes to the Consolidated Financial Statements (Continued)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

	As at 31st December	
	2015 HK\$'000	2014 HK\$'000
<b>Trade and bills receivables</b>		
Customers accepted within past 12 months	10,979	3,966
Customers accepted beyond the past 12 months	66,386	51,674
Total	77,365	55,640

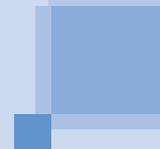
(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available from banks.

At 31st December, the Group had the following banking facilities with banks:

	As at 31st December	
	2015 HK\$'000	2014 HK\$'000
Banking facilities available	803,194	777,854
Banking facilities utilised	(207,499)	(202,946)
Undrawn banking facilities	595,695	574,908

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.


**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**
**3.1 Financial risk factors (Continued)**

 (d) *Liquidity risk (Continued)*

	<b>On demand or less than 1 year HK\$'000</b>	<b>Between 1 and 2 years HK\$'000</b>	<b>Between 2 and 5 years HK\$'000</b>
<b>At 31st December 2015</b>			
Bank overdraft (Note 20)	248	-	-
Trust receipt loans (Note 20)	33,488	-	-
Term loan from bank subject to a repayment on demand clause and interest payment	101,412	-	-
Derivative financial instruments (Note 13)	458	-	-
Trade and bills payables (Note 19)	103,702	-	-
Other payables	15,871	-	-
Amount due to an associate	235	-	-
	<u>255,414</u>	<u>-</u>	<u>-</u>
<b>At 31st December 2014</b>			
Bank overdraft (Note 20)	1,583	-	-
Trust receipt loans (Note 20)	55,032	-	-
Term loans from bank subject to a repayment on demand clause	87,775	-	-
Derivative financial instruments (Note 13)	3,749	-	-
Trade and bills payables (Note 19)	107,270	-	-
Other payables	14,576	-	-
	<u>269,985</u>	<u>-</u>	<u>-</u>

The following table summarises the maturity analysis of term loans from bank with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates assuming it remained constant until maturity dates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

## Notes to the Consolidated Financial Statements (Continued)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

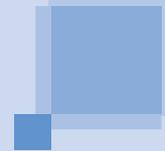
#### 3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
<b>At 31st December 2015</b>	<b>78,863</b>	<b>16,969</b>	<b>5,580</b>	<b>101,412</b>
<b>At 31st December 2014</b>	87,775	–	–	87,775

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000
<b>At 31st December 2015</b>	
Forward foreign exchange contracts – held for trading:	
Outflow	75,163
Inflow	75,025
<b>At 31st December 2014</b>	
Forward foreign exchange contracts – held for trading:	
Outflow	71,523
Inflow	67,799



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratio at 31st December 2015 and 2014 were as follows:–

	As at 31st December	
	2015 HK\$'000	2014 HK\$'000
Total borrowings (Note 20)	134,175	144,390
Less: cash and cash equivalents (Note 16)	(45,476)	(58,737)
Net debt	88,699	85,653
Total equity	359,279	349,133
Gearing ratio	24.7%	24.5%

## Notes to the Consolidated Financial Statements (Continued)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets including trade receivables and bills receivables, other receivables, amounts due from associates, restricted bank deposits and cash and bank balances; and financial liabilities including trade and bills payables, other payables and borrowings approximate their fair values due to their short maturities. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

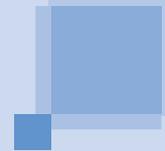
The method by which the fair values of financial instruments are established are categorised as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

See Notes 7 and 8 for disclosure of the property, plant and equipment and investment property that are measured at fair value.

The Group's financial assets and financial liabilities that are measured at fair values at 31st December 2015:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	-	320	-	320
Available-for-sale financial assets – listed securities	<u>34,016</u>	<u>-</u>	<u>-</u>	<u>34,016</u>
	<u>34,016</u>	<u>320</u>	<u>-</u>	<u>34,336</u>
<b>Liabilities</b>				
Derivative financial instruments	<u>-</u>	<u>458</u>	<u>-</u>	<u>458</u>



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (Continued)

The Group's financial assets and financial liabilities that are measured at fair values at 31st December 2014:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	25	–	25
Available-for-sale financial assets				
– listed securities	22,122	–	–	22,122
	<u>22,122</u>	<u>25</u>	<u>–</u>	<u>22,147</u>
<b>Liabilities</b>				
Derivative financial instruments	–	3,749	–	3,749

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

#### (a) Income taxes

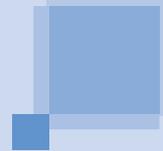
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of the potential tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### (b) Provision for impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions for impairment are applied to trade and other receivables, where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charges in the period in which such estimate has been changed.

#### (c) Write down of inventories to net realisable value

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies inventories that are moving or obsolete, considers their physical conditions, market conditions and market price for similar items.



### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (d) Fair value of property, plant and equipment and investment properties

Property, plant and equipment carried at revaluation model and investment properties are determined by using the direct comparison approach, assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Judgment is required to determine the principal valuation assumptions to determine the fair value of the investment property. The higher the average recent market price of similar properties, the higher the fair value of the investment property held by the Company. Details of the judgment and assumptions have been disclosed in Notes 7 and 8.

#### (e) Impairment of available-for-sale financial assets and derivatives

The Group follows the guidance of HKAS 39 to determine when available-for-sale financial assets and derivatives are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Any changes in expectation may impact the recognition of impairment charge to the income statement and therefore the results of the Group.

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

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

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (g) Determination of functional currency

The Group follows the guidance of HKAS 21 to determine the functional currency of the Group's entities. This determination requires significant judgement. When indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Once the functional currency is determined, it can be changed only if there is a change to those underlying transactions, events and conditions.

### 5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, the Board of Directors, that are used to make strategic decisions.

The Board considers the business from a geographic perspective. Geographically, management considers the performance in the PRC, Hong Kong and other countries.

The Group is principally engaged in the trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment in three main geographical areas, namely the PRC, Hong Kong and other countries (principally Singapore, Malaysia and Indonesia). The PRC, for the purpose of this consolidated financial statement, excludes Hong Kong, Taiwan and Macau.

The Board assesses the performance of the operating segments based on a measure of segment result, total assets and total capital expenditure. The Group primarily operates in Hong Kong and the PRC. The Group's sales by geographical location are determined by the country in which the customer is located.

## Notes to the Consolidated Financial Statements (Continued)

### 5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31st December 2015			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	<u>548,561</u>	<u>99,881</u>	<u>26,538</u>	<u>674,980</u>
Segment results	<u>6,783</u>	<u>2,725</u>	<u>(3,120)</u>	<u>6,388</u>
Finance expense – net				(223)
Share of profit of associates				<u>16,307</u>
Profit before income tax				<u>22,472</u>
Income tax expenses				<u>(1,014)</u>
Profit for the year				<u><u>21,458</u></u>

	For the year ended 31st December 2014			
	The PRC HK\$'000	HK HK\$'000	Others HK\$'000	Total HK\$'000
Sales	<u>517,790</u>	<u>123,238</u>	<u>37,187</u>	<u>678,215</u>
Segment results	<u>10,309</u>	<u>859</u>	<u>(3,685)</u>	<u>7,483</u>
Finance expense – net				(605)
Share of profit of associates				<u>16,685</u>
Profit before income tax				<u>23,563</u>
Income tax expenses				<u>(998)</u>
Profit for the year				<u><u>22,565</u></u>

## Notes to the Consolidated Financial Statements (Continued)

### 5 SEGMENT INFORMATION (CONTINUED)

During the year ended 31st December 2015, revenue derived from the Group's largest customer amounted to HK\$99,533,000 or 14.7% of the Group's revenue. In 2014, there is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

#### Assets

	2015 HK\$'000	2014 HK\$'000
Total assets:		
The PRC	237,385	224,280
Hong Kong	376,010	370,142
Other countries (Note (a))	71,756	104,866
	<u>685,151</u>	<u>699,288</u>

Note:

(a) Other countries include Taiwan, Singapore, Macau, Indonesia and Malaysia.

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, derivative financial instruments, operating cash and deposits.

The depreciation of property, plant and equipment and amortisation of leasehold land for the year ended 31st December 2015 are HK\$9,354,000 (2014: HK\$8,898,000) and HK\$309,000 (2014: HK\$317,000) respectively.

## Notes to the Consolidated Financial Statements (Continued)

### 5 SEGMENT INFORMATION (CONTINUED)

#### Capital expenditure:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Capital expenditure:		
The PRC	<b>75</b>	831
Hong Kong	<b>4,232</b>	2,960
	<b>4,307</b>	3,791

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment.

### 6 LEASEHOLD LAND

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

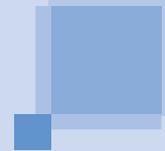
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At 1st January	<b>8,895</b>	9,359
Exchange differences	<b>(254)</b>	(147)
Amortisation (Note 23)	<b>(309)</b>	(317)
At 31st December	<b>8,332</b>	8,895

Bank borrowings are secured on leasehold land with the carrying amount of HK\$1,783,000 (2014: HK\$2,024,000) (Note 20).

## Notes to the Consolidated Financial Statements (Continued)

### 7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant, machinery furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1st January 2014</b>					
Cost or valuation	169,329	29,506	50,675	959	250,469
Accumulated depreciation	–	(23,945)	(47,418)	(673)	(72,036)
<b>Net book amount</b>	<b>169,329</b>	<b>5,561</b>	<b>3,257</b>	<b>286</b>	<b>178,433</b>
<b>Year ended 31st December 2014</b>					
Opening net book amount	169,329	5,561	3,257	286	178,433
Exchange differences	4,420	7	(61)	8	4,374
Revaluation gain (Note 18)	9,663	–	–	–	9,663
Additions	–	2,623	1,168	–	3,791
Disposals (Note 30(a))	–	–	(195)	–	(195)
Depreciation (Notes 23)	(5,864)	(2,018)	(896)	(120)	(8,898)
<b>Closing net book amount</b>	<b>177,548</b>	<b>6,173</b>	<b>3,273</b>	<b>174</b>	<b>187,168</b>
<b>At 31st December 2014</b>					
Cost or valuation	177,548	31,860	49,579	978	259,965
Accumulated depreciation	–	(25,687)	(46,306)	(804)	(72,797)
<b>Net book amount</b>	<b>177,548</b>	<b>6,173</b>	<b>3,273</b>	<b>174</b>	<b>187,168</b>
<b>Year ended 31st December 2015</b>					
Opening net book amount	<b>177,548</b>	<b>6,173</b>	<b>3,273</b>	<b>174</b>	<b>187,168</b>
Exchange differences	(442)	(67)	(46)	–	(555)
Revaluation gain (Note 18)	<b>13,153</b>	–	–	–	<b>13,153</b>
Additions	–	47	4,260	–	4,307
Disposals (Note 30(a))	–	(24)	(4,173)	–	(4,197)
Depreciation (Notes 23)	(6,145)	(1,922)	(1,167)	(120)	(9,354)
<b>Closing net book amount</b>	<b>184,114</b>	<b>4,207</b>	<b>2,147</b>	<b>54</b>	<b>190,522</b>
<b>At 31st December 2015</b>					
Cost or valuation	<b>184,114</b>	<b>31,231</b>	<b>45,134</b>	<b>966</b>	<b>261,445</b>
Accumulated depreciation	–	(27,024)	(42,987)	(912)	(70,923)
<b>Net book amount</b>	<b>184,114</b>	<b>4,207</b>	<b>2,147</b>	<b>54</b>	<b>190,522</b>



### 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's buildings located in the PRC and Singapore and land and buildings located in Hong Kong were revalued at 31st December 2015. Valuations of buildings located in the PRC and land and buildings located in Hong Kong were made on the basis of open market value by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The buildings of the Group located in Singapore were revalued on the basis of their open market value by Dickson Property Consultants Pte Ltd., an independent firm of professional valuers.

The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The fair value measurement of these land and buildings are categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

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

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At beginning of the year	<b>177,548</b>	169,329
Exchange differences	<b>(442)</b>	4,420
Revaluation gain (Note 18)	<b>13,153</b>	9,663
Depreciation (Notes 23)	<b>(6,145)</b>	(5,864)
At end of the year	<b>184,114</b>	177,548

## Notes to the Consolidated Financial Statements (Continued)

### 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Below is a summary of the key inputs to the valuation of properties for own use:

	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
<b>As at 31st December 2015</b>			
Land and buildings in Hong Kong	Market unit sale price (per square feet)	HK\$2,327 – HK\$19,981 (HK\$11,678)	The higher the weighted average sales price, the higher the fair value
Buildings in the PRC	Market unit sale price (per square feet)	HK\$1,536 – HK\$3,789 (HK\$1,782)	The higher the weighted average sales price, the higher the fair value
Buildings in Singapore	Market unit sale price (per square feet)	HK\$874 (HK\$874)	The higher the weighted average sales price, the higher the fair value

#### As at 31st December 2014

Land and buildings in Hong Kong	Market unit sale price (per square feet)	HK\$2,032 – HK\$19,981 (HK\$11,915)	The higher the weighted average sales price, the higher the fair value
Buildings in the PRC	Market unit sale price (per square feet)	HK\$1,486 – HK\$3,959 (HK\$1,775)	The higher the weighted average sales price, the higher the fair value
Buildings in Singapore	Market unit sale price (per square feet)	HK\$975 (HK\$975)	The higher the weighted average sales price, the higher the fair value

Depreciation expense of HK\$9,354,000 (2014: HK\$8,898,000) has been charged in administrative expenses (Note 23).

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2015 HK\$'000	2014 HK\$'000
Cost	45,284	45,402
Accumulated depreciation	(10,035)	(9,449)
Net book amount	35,249	35,953

Bank borrowings are secured on land and buildings with a carrying amount of HK\$165,702,000 (2014: HK\$160,485,000) (Note 20).

## Notes to the Consolidated Financial Statements (Continued)

### 8 INVESTMENT PROPERTY

<b>At fair value</b>	<b>2015 HK\$'000</b>	2014 HK\$'000
Opening balance at 1st January	<b>40,400</b>	37,700
Net gain from fair value adjustment (Note 22)	<b>2,600</b>	2,700
Closing balance at 31st December	<b><u>43,000</u></b>	<u>40,400</u>

#### (a) Amounts recognised in profit and loss for investment property

	<b>2015 HK\$'000</b>	2014 HK\$'000
Rental income	<b><u>1,346</u></b>	<u>1,476</u>

As at 31st December 2015, the Group had no unprovided contractual obligations for further repairs and maintenance (2014: nil).

The investment property is situated in Hong Kong and held on lease of between 10 to 50 years.

The investment property was revalued as at 31st December 2015 by Jones Lang LaSalle Limited, a member of the Hong Kong Institute of Surveyors. The valuation was derived using the direct comparison approach, assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The fair value measurement of the Group's investment property is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used.

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

## Notes to the Consolidated Financial Statements (Continued)

### 8 INVESTMENT PROPERTY (CONTINUED)

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

	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
<b>As at 31st December 2015</b>			
Land and buildings in Hong Kong	Market unit sale price (per square feet)	HK\$7,985 (HK\$7,985)	The higher the weighted average sales price, the higher the fair value
<b>As at 31st December 2014</b>			
Land and buildings in Hong Kong	Market unit sale price (per square feet)	HK\$7,502 (HK\$7,502)	The higher the weighted average sales price, the higher the fair value

Bank borrowings are secured on an investment property with a carrying amount of HK\$43,000,000 (2014: HK\$40,400,000).

## Notes to the Consolidated Financial Statements (Continued)

### 9 SUBSIDIARIES

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

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Percentage of equity interest attributable to the Company
Leeport Group Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US\$50,000	100% <sup>1</sup>
Leeport Machinery (Taiwan) Co., Ltd. (formerly known as "Formtek Machinery Company Limited") (Note (i))	Taiwan, limited liability company	Trading of metal forming machines and tools in Taiwan	NT\$8,000,000	100%
Leeda Machinery Limited	Hong Kong, limited liability company	Inactive	HK\$10,000	100%
Leeport Cutting Tools Corporation (Note (i))	British Virgin Islands, limited liability company	Inactive	US\$10,000	100%
Leeport Electronics Limited	Hong Kong, limited liability company	Trading of electronic equipment in Hong Kong	HK\$2,000,000	100%
Leeport Machine Tool Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK\$10,000,000	100%
Leeport Macao Commercial Offshore Limited (Note (i))	Macau, limited liability company	Trading of machines, tools, accessories and measuring instruments in Macau	MOP100,000	100%
Leeport (Malaysia) Sdn. Bhd. (Note (i))	Malaysia, limited liability company	Distribution and repair of machine tools and accessories in Malaysia	RM350,000	100%

## Notes to the Consolidated Financial Statements (Continued)

### 9 SUBSIDIARIES (CONTINUED)

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Percentage of equity interest attributable to the Company
Leeport Machine Tool (Shenzhen) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	HK\$10,000,000	100%
Leeport Machine Tool Trading (China) Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	RMB22,000,000	100%
Leeport (Singapore) Pte Ltd (Note (i))	Singapore, limited liability company	Trading of machine tools and related products in Singapore	S\$1,000,000	100%
Leeport Machinery (Shanghai) Company Limited (Note (i))	PRC, limited liability company	Trading of machines, tools and measuring instruments in the PRC	US\$1,000,000	100%
Leeport Metalforming Machinery Limited	Hong Kong, limited liability company	Trading of metalforming machines in Hong Kong	HK\$500,000	100%
Leeport Precision Machine Tool Company Limited	Hong Kong, limited liability company	Trading of metalcutting machines in Hong Kong	HK\$5,000,000	100%
Leeport Technology Limited	Hong Kong, limited liability company	Trading of rapid prototyping equipment and plastic injection machines in Hong Kong	HK\$1,000,000	100%
Leeport Tools Limited	Hong Kong, limited liability company	Trading of cutting tools in Hong Kong	HK\$1,000,000	100%

## Notes to the Consolidated Financial Statements (Continued)

### 9 SUBSIDIARIES (CONTINUED)

Company name	Place of Incorporation and kind of legal entity	Principal activities and place of operation	Issued/registered and fully paid capital	Percentage of equity interest attributable to the Company
Rapman Limited	Hong Kong, limited liability company	Trading of rapid prototypes in Hong Kong	HK\$1,000,000	100%
Rapman (Dongguan) Limited (Note (i))	PRC, limited liability company	Inactive	HK\$3,500,000	100%
World Leader Limited	Hong Kong, limited liability company	Property holding in Hong Kong and the PRC	HK\$1	100%
Leeport Metrology Macao Commercial Offshore Limited (Note (i))	Macao, limited liability company	Inactive	MOP100,000	100%
Leeport International (BVI) Company Limited (Note (i))	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	HK\$50,000	100%
Leeport International (Hong Kong) Company Limited (Note (i))	Hong Kong, limited liability company	Investment holding in Hong Kong	HK\$10,000	100%

<sup>1</sup> Shares held directly by the Company

Notes:

(i) PricewaterhouseCoopers Hong Kong is not the statutory auditor of these companies.

## Notes to the Consolidated Financial Statements (Continued)

### 10 INVESTMENTS IN ASSOCIATES

Movements of investments in associates are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At 1st January	<b>81,482</b>	69,205
Additions	<b>6,823</b>	7,224
Share of post-tax profits of associates	<b>16,307</b>	16,685
Share of other comprehensive loss of associates	<b>(3,078)</b>	(9,770)
Dividend received from an associate	<b>(4,538)</b>	(1,862)
At 31st December	<b>96,996</b>	81,482

Set out below are the associates of the Group as at 31st December 2015 and 2014. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Details of investment in associates as at 31st December 2015 and 2014 are as follows:

Company name	Place of business/ country of incorporation	Effective % of ownership interest		Principal activities and place of operation
		2015	2014	
Mitutoyo Leepport Metrology Corporation ("MLMC")	Hong Kong/British Virgin Islands	<b>49</b>	49	Trading of measuring tools
OPS-Ingersoll Funkenerosion GmbH ("OPS")	Germany/Germany	<b>22.34</b>	22.34	Manufacturing of metal working machinery
Prima Power Suzhou Co., Ltd.	The PRC/The PRC	<b>30</b>	19	Manufacturing of metal forming machinery

There are no contingent liabilities relating to the Group's interest in the associates.

### 10 INVESTMENTS IN ASSOCIATES (CONTINUED)

#### Summarised financial information of a material associate, MLMC

Included in investments in associates is an investment in MLMC which has a carrying amount of HK\$58,140,000, which is material to the Group, set out below is the summarised financial information of MLMC.

#### Summarised balance sheet

	MLMC	
	2015 HK\$'000	2014 HK\$'000
<b>Current</b>		
Cash and cash equivalents	87,773	91,310
Other current assets (excluding cash)	80,920	52,218
	<b>168,693</b>	143,528
Financial liabilities (excluding trade payables)	<b>(57,297)</b>	(47,228)
Other current liabilities (including trade payables)	<b>(1,776)</b>	(1,980)
Total current liabilities	<b>(59,073)</b>	(49,208)
<b>Non-current</b>		
Assets	<b>2,090</b>	1,903
Liabilities	<b>(102)</b>	(111)
Net assets	<b>111,608</b>	96,112

## Notes to the Consolidated Financial Statements (Continued)

### 10 INVESTMENTS IN ASSOCIATES (CONTINUED)

#### Summarised Income Statement

	MLMC	
	2015 HK\$'000	2014 HK\$'000
Revenue	230,432	218,156
Depreciation and amortization	(545)	(441)
Interest income	981	539
	<u>30,445</u>	<u>30,944</u>
Profit before income tax	30,445	30,944
Income tax expenses	(5,417)	(4,356)
	<u>25,028</u>	<u>26,588</u>
Post-tax profit after tax	25,028	26,588
Other comprehensive income	(304)	(13,340)
	<u>24,724</u>	<u>13,248</u>
Total comprehensive income	24,724	13,248
Dividends received from an associate	4,538	1,862

Reconciliation of summarised financial information presented to the carrying amount of MLMC is set out below:

	MLMC	
	2015 HK\$'000	2014 HK\$'000
Opening net assets 1st January	96,112	86,664
Profit for the year	25,028	26,588
Other comprehensive income	(304)	(13,340)
Dividend	(9,228)	(3,800)
	<u>111,608</u>	<u>96,112</u>
Closing net assets 31st December	111,608	96,112
Interest in associates (49%)	54,688	47,095
Goodwill	3,452	3,452
	<u>58,140</u>	<u>50,547</u>
Carrying value	58,140	50,547

## Notes to the Consolidated Financial Statements (Continued)

### 11 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK\$'000	Available- for-sale HK\$'000	Assets at fair value through profit & loss HK\$'000	Total HK\$'000
<b>Assets as per consolidated balance sheet</b>				
At 31st December 2015				
Derivative financial instruments (Note 13)	-	-	320	320
Trade receivables and bills receivables (Note 14)	115,055	-	-	115,055
Other receivables and deposits	4,681	-	-	4,681
Available-for-sale financial assets (Note 12)	-	34,016	-	34,016
Restricted bank deposits (Note 16)	24,151	-	-	24,151
Cash and cash equivalents (Note 16)	45,476	-	-	45,476
Total	<u>189,363</u>	<u>34,016</u>	<u>320</u>	<u>223,699</u>
At 31st December 2014				
Derivative financial instruments (Note 13)	-	-	25	25
Trade receivables and bills receivables (Note 14)	106,073	-	-	106,073
Other receivables and deposits	3,264	-	-	3,264
Amount due from an associate (Note 33(c))	234	-	-	234
Available-for-sale financial assets (Note 12)	-	22,122	-	22,122
Restricted bank deposits (Note 16)	56,905	-	-	56,905
Cash and cash equivalents (Note 16)	58,737	-	-	58,737
Total	<u>225,213</u>	<u>22,122</u>	<u>25</u>	<u>247,360</u>

## Notes to the Consolidated Financial Statements (Continued)

### 11 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost HK\$'000	Liabilities at fair value- through the profit & loss HK\$'000	Total HK\$'000
<b>Liabilities as per consolidated balance sheet</b>			
At 31st December 2015			
Borrowings (Note 20)	134,175	–	134,175
Derivative financial instruments (Note 13)	–	458	458
Trade payables and bills payables (Note 19)	103,702	–	103,702
Other payables	15,871	–	15,871
Amount due to an associate	235	–	235
Total	<u>253,983</u>	<u>458</u>	<u>254,441</u>
At 31st December 2014			
Borrowings (Note 20)	144,390	–	144,390
Derivative financial instruments (Note 13)	–	3,749	3,749
Trade payables and bills payables (Note 19)	107,270	–	107,270
Other payables	14,576	–	14,576
Total	<u>266,236</u>	<u>3,749</u>	<u>269,985</u>

## Notes to the Consolidated Financial Statements (Continued)

### 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At beginning of the year	<b>22,122</b>	17,242
Additions	<b>14,355</b>	–
Net fair value (loss)/gain transferred to equity (Note 18)	<b>(2,461)</b>	4,880
At end of the year	<b>34,016</b>	22,122

Available-for-sale financial assets include the following:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Listed securities:		
– Equity securities – Europe	<b>34,016</b>	22,122

Available-for-sale financial assets are denominated in EUR.

None of these financial assets is either past due or impaired.

## Notes to the Consolidated Financial Statements (Continued)

### 13 DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Forward foreign exchange contracts – non-hedge instruments	<u>320</u>	<u>458</u>	<u>25</u>	<u>3,749</u>

Derivatives held for trading purpose are classified as a current asset or liability. As at 31st December 2015, the Group had outstanding gross-settled foreign currency forward contracts to buy EUR4,319,000 for HKD36,466,000; EUR245,000 for USD270,000; RMB8,000,000 for HKD9,591,000 and JPY416,700,000 for HKD27,010,000 (2014: Buy EUR2,369,000 for HKD23,022,000; EUR245,000 for USD310,000; RMB11,000,000 for HKD13,737,000; JPY356,000,000 for HKD25,562,000; JPY32,000,000 for RMB1,726,000; GBP84,000 for HKD1,045,000 and AUD 525,000 for HKD3,597,000).

Derivative financial instruments are presented within 'operating activities' as part of changes in working capital in the cash flow statement.

Fair value gains and losses on derivative financial instruments are recorded in 'other income and gains – net' in the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated balance sheet.

## Notes to the Consolidated Financial Statements (Continued)

### 14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Prepayment for property, plant and equipment	19,029	626
Prepayment for investment in an associate	–	6,823
	<u>19,029</u>	<u>7,449</u>
<b>Current assets</b>		
Trade and bills receivables	121,860	112,450
Less: provision for impairment of receivables	(6,805)	(6,377)
	<u>115,055</u>	<u>106,073</u>
Trade receivables and bills receivables – net	115,055	106,073
Other receivables, prepayments and deposits	20,236	20,618
	<u>135,291</u>	<u>126,691</u>
Total	<u>154,320</u>	<u>134,140</u>

The carrying amounts of trade and bills receivables, other receivables and deposits approximated their fair values.

## Notes to the Consolidated Financial Statements (Continued)

### 14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

At 31st December 2015 and 2014, the ageing analysis of trade and bills receivables by due dates are as follows:

	2015 HK\$'000	2014 HK\$'000
Current	<b>77,365</b>	55,640
1 – 3 months	<b>18,633</b>	29,831
4 – 6 months	<b>4,810</b>	9,492
7 – 12 months	<b>9,071</b>	7,210
Over 12 months	<b>11,981</b>	10,277
	<b>121,860</b>	112,450
Less: provision for impairment of receivables	<b>(6,805)</b>	(6,377)
	<b>115,055</b>	106,073

The Group generally grants credit terms of 30 days to its customers. Longer payment terms might be granted to those customers who have good payment history and long-term business relationship with the Group.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

	2015 HK\$'000	2014 HK\$'000
EUR	<b>3,195</b>	18,133
HK\$	<b>2,313</b>	2,318
JPY	<b>31,342</b>	19,252
USD	<b>7,519</b>	8,630
RMB	<b>68,635</b>	51,693
Other currencies	<b>2,051</b>	6,047
	<b>115,055</b>	106,073

## Notes to the Consolidated Financial Statements (Continued)

### 14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

As at 31st December 2015, trade receivables of HK\$37,690,000 (2014: HK\$50,433,000) were past due but not impaired. These relate to a number of customers with no history of credit default and they are in continuous trading with the Group. The ageing analysis of these trade receivables based on due dates are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
1 – 3 months	<b>18,633</b>	29,831
4 – 6 months	<b>4,810</b>	9,492
7 – 12 months	<b>9,071</b>	7,210
Over 12 months	<b>5,176</b>	3,900
	<b>37,690</b>	50,433

As at 31st December 2015, trade receivables of HK\$6,805,000 (2014: HK\$6,377,000) were impaired and were fully provided for. The individually impaired receivables mainly relate to smaller customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due dates are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Over 12 months	<b>6,805</b>	6,377

Movements of provision for impairment of trade receivables and bills receivables are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At beginning of the year	<b>6,377</b>	6,999
Write off of receivables	<b>(52)</b>	(2,543)
Provision for impairment of receivables	<b>806</b>	2,226
Recovery of impaired receivables	<b>(85)</b>	(60)
Exchange difference	<b>(241)</b>	(245)
At end of the year	<b>6,805</b>	6,377

## Notes to the Consolidated Financial Statements (Continued)

### 14 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement (Note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivable mentioned above. The Group does not hold any collateral as security.

### 15 INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Finished goods	<u>62,231</u>	<u>80,899</u>

The write back of provision for slow moving inventories credited to cost of goods sold amounted to HK\$2,425,000 (2014: provision of HK\$1,997,000) (Note 23).

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK\$550,472,000 (2014: HK\$539,935,000) (Note 23).

### 16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Restricted bank deposits (Note (a))	<u>24,151</u>	<u>56,905</u>
Cash at bank and in hand (Note (b))	<u>45,476</u>	<u>58,737</u>

(a) Restricted bank deposits of the Group are pledged to secure banking facilities granted to the Group. The effective interest rate on restricted bank deposits was 3.2% (2014: 2.7%) and these deposits have an average renewal period of 178 days (2014: 112 days). The carrying amounts of the Group's restricted bank deposits are mainly denominated in RMB (2014: RMB).

(b) The bank balances of the Group amounting to HK\$31,023,000 (2014: HK\$21,212,000) are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

## Notes to the Consolidated Financial Statements (Continued)

### 16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Cash at bank and in hand	45,476	58,737
Bank overdrafts	(248)	(1,583)
Cash and cash equivalents	<u>45,228</u>	<u>57,154</u>

The table below shows the bank deposits balance of the major counterparties as of 31st December 2015 and 2014.

	2015 HK\$'000	2014 HK\$'000
<b>Cash and cash equivalents</b>		
Cash at banks and bank deposits		
– Listed financial institutions	45,185	58,144
– Non-listed financial institutions	85	89
	<u>45,270</u>	<u>58,233</u>
Cash in hand	206	504
Total	<u>45,476</u>	<u>58,737</u>
<b>Secured restricted bank deposits</b>		
– Listed financial institutions	<u>24,151</u>	<u>56,905</u>

## Notes to the Consolidated Financial Statements (Continued)

### 16 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying amounts of the Group's cash at bank and in hand are denominated in the following currencies:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
EUR	<b>4,280</b>	4,398
HK\$	<b>4,228</b>	3,671
JPY	<b>7,196</b>	26,068
USD	<b>3,826</b>	4,333
RMB	<b>25,274</b>	18,649
Other currencies	<b>672</b>	1,618
	<b>45,476</b>	58,737

### 17 SHARE CAPITAL

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
	Number of shares (in thousand)	Share capital HK\$'000
Issued and fully paid:		
At 1st January 2014 and 2015	221,934	22,193
Exercise of options	1,740	174
At 31st December 2015	<b>223,674</b>	<b>22,367</b>

### 17 SHARE CAPITAL (CONTINUED)

#### Share options

The Company adopted a share option scheme (the “Old Scheme”) at a special general meeting held on 17th June 2003. At the annual general meeting of shareholders held on 15th May 2013, the Old Scheme was terminated and a new share option scheme (the “New Scheme”) was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK\$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) shall not exceed 10% of the shares in issue as at the date of such shareholder’s approval. At the date of this report, the total number of options that can be granted was 12,546,406 representing approximately 5.6% of the number of issued shares in issue as at the approval of the New Share Option Scheme.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The options are exercisable within the option period as determined by the Board of the Company. The New Scheme shall be valid and effective for a period of 10 years commencing from 15th May 2013, the date of the approval of the New Scheme.

Share options are granted to directors and to selected employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

## Notes to the Consolidated Financial Statements (Continued)

### 17 SHARE CAPITAL (CONTINUED)

#### Share options (Continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2015		2014	
	Average exercise price in HK\$ per share option	Number of share options (thousands)	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1st January	1.13	1,740	1.13	1,740
Granted	1.026	7,907	–	–
Exercised	1.13	(1,740)	–	–
At 31st December	<u>1.026</u>	<u>7,907</u>	<u>1.13</u>	<u>1,740</u>

All the outstanding options as of 31st December 2015 and 2014 were exercisable. Option exercised in 2015 resulted in 1,740,000 shares being issued at HK\$1.13 each. The related weighted average share price at the time of exercise was HK\$2.07 each. No transaction costs has been borne by the Group.

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK\$ per share option	Number of share options (thousands)	
		2015	2014
14th November 2016	1.13	–	1,740
16th June 2017	1.026	<u>7,907</u>	–
At 31st December		<u>7,907</u>	<u>1,740</u>

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was approximately HK\$0.19 per option. The significant inputs into the model were share price of HK\$1.01 per share at the grant date, exercise price of HK\$1.026 per share as shown above, volatility of 40.47%, dividend yield of 3.47%, an expected option life of 2.25 years, and an annual risk-free interest rate of 0.63%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See Note 24 for the total expense recognised in the income statement for share options granted to directors and employees.

## Notes to the Consolidated Financial Statements (Continued)

### 18 OTHER RESERVES

	Share premium HK\$'000	Land and building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000	Total HK\$'000
<b>Balance at 1st January 2014</b>	29,790	155,748	(28,856)	5,981	11,310	173,973
Currency translation differences	-	(309)	(14,599)	-	-	(14,908)
Revaluation – gross (Note 7)	-	9,663	-	-	-	9,663
Revaluation – tax (Note 21)	-	(730)	-	-	-	(730)
Share of other comprehensive loss of associates (Note 10)	-	-	(9,770)	-	-	(9,770)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	-	(4,731)	-	-	-	(4,731)
Available-for-sale financial assets (Note 12)	-	-	-	4,880	-	4,880
<b>Balance at 31st December 2014</b>	<u>29,790</u>	<u>159,641</u>	<u>(53,225)</u>	<u>10,861</u>	<u>11,310</u>	<u>158,377</u>
<b>Balance at 1st January 2015</b>	<b>29,790</b>	<b>159,641</b>	<b>(53,225)</b>	<b>10,861</b>	<b>11,310</b>	<b>158,377</b>
Currency translation differences	-	(526)	(4,998)	-	-	(5,524)
Revaluation – gross (Note 7)	-	13,153	-	-	-	13,153
Revaluation – tax (Note 21)	-	(1,218)	-	-	-	(1,218)
Share of other comprehensive loss of associates (Note 10)	-	-	(3,078)	-	-	(3,078)
Transfer of property revaluation reserve to retained earnings on depreciation of buildings	-	(5,051)	-	-	-	(5,051)
Available-for-sale financial assets (Note 12)	-	-	-	(2,461)	-	(2,461)
Employee share option scheme:						
– value of services provided	-	-	-	1,508	-	1,508
– exercise of options	1,792	-	-	-	-	1,792
<b>Balance at 31st December 2015</b>	<u>31,582</u>	<u>165,999</u>	<u>(61,301)</u>	<u>9,908</u>	<u>11,310</u>	<u>157,498</u>

## Notes to the Consolidated Financial Statements (Continued)

### 19 TRADE, BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2015 HK\$'000	2014 HK\$'000
Trade payables and bills payables	103,702	107,270
Other payables, accruals and deposits received (Note)	62,454	70,792
	<b>166,156</b>	<b>178,062</b>

Note: The balances mainly include deposit received from customers of HK\$36,800,000 (2014: HK\$41,068,000).

At 31st December, the ageing analysis of trade payables and bills payables are as follows:

	2015 HK\$'000	2014 HK\$'000
Current	100,819	98,845
1 – 3 months	2,265	3,089
4 – 6 months	174	1,068
7 – 12 months	114	3,439
Over 12 months	330	829
	<b>103,702</b>	<b>107,270</b>

The carrying amounts of the trade payables and bills payables are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
JPY	37,725	41,096
EUR	10,391	24,525
USD	9,726	8,536
RMB	43,061	29,055
HK\$	135	743
Others	2,664	3,315
	<b>103,702</b>	<b>107,270</b>

## Notes to the Consolidated Financial Statements (Continued)

### 20 BORROWINGS

	2015 HK\$'000	2014 HK\$'000
<b>Current</b>		
Bank overdrafts	248	1,583
Trust receipt loans	33,488	55,032
Portions of term loans from banks due for repayment within one year	78,216	87,775
Portions of term loans from banks due for repayment after one year which contain a repayable on demand clause	22,223	–
<b>Total borrowings</b>	<b>134,175</b>	<b>144,390</b>

As at 31st December 2015, certain land and buildings, investment property and restricted bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$234,636,000 (2014: HK\$259,814,000) were pledged to secure the banking facilities of the Group.

The facilities expiring within one year are annual facilities subject to review at various dates during 2016.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year		
– Bank loans	100,439	87,775
– Others	33,736	56,615
	<b>134,175</b>	<b>144,390</b>

The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.1% (2014: 2.1%).

## Notes to the Consolidated Financial Statements (Continued)

### 20 BORROWINGS (CONTINUED)

The effective interest rates per annum at the balance sheet date are as follows:

	2015						2014					
	SGD	HK\$	US\$	EUR	JPY	GBP	SGD	HK\$	US\$	EUR	JPY	GBP
Bank overdrafts	-	5.25%	-	-	-	-	5.75%	-	-	-	-	-
Trust receipts loans	-	-	2.53%	2.26%	2.21%	0.05%	-	5.25%	2.56%	2.40%	1.73%	0.75%
Bank loans	-	2.16%	-	-	-	-	-	1.95%	-	-	-	-

The maturity of borrowings (without considering the “repayable on demand” clauses) is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	111,952	144,390
Between 1 and 2 years	16,667	-
Between 2 and 5 years	5,556	-
	<b>134,175</b>	<b>144,390</b>

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
GBP	723	1,012
EUR	6,796	10,900
HK\$	100,687	87,775
JPY	1,712	21,839
USD	24,257	21,281
SGD	-	1,583
	<b>134,175</b>	<b>144,390</b>

## Notes to the Consolidated Financial Statements (Continued)

### 21 DEFERRED INCOME TAX

The movement in deferred income tax liabilities during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Accelerated tax depreciation</b>		
At beginning of the year	23,315	22,188
Debited to consolidated income statement (Note 26)	45	397
Debited directly to equity (Note 18)	1,218	730
At end of the year	<u>24,578</u>	<u>23,315</u>

The deferred income tax charged to equity during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Land and building revaluation reserves in shareholders' equity (Note 18)	<u>1,218</u>	<u>730</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$12,771,000 (2014: HK\$12,361,000) in respect of losses amounting to HK\$74,057,000 (2014: HK\$70,926,000) that can be carried forward against future taxable income. Except for loss amounting to HK\$1,838,000 (2014: HK\$2,641,000) which expire in 2020, the remaining unrecognized tax loss have no expiry date.

### 22 OTHER INCOME AND GAINS – NET

	2015 HK\$'000	2014 HK\$'000
Derivative instruments – forward contracts:		
– Realised and unrealised net fair value loss	(1,774)	(3,539)
Rental income	1,511	1,617
Service income	9,626	15,804
Commission income	2,030	713
Net fair value gain on an investment property	2,600	2,700
Other income	3,017	4,166
Management fee income from an associate	1,433	1,404
	<u>18,443</u>	<u>22,865</u>

## Notes to the Consolidated Financial Statements (Continued)

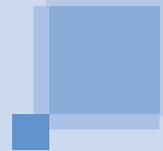
### 23 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Auditors' remuneration – Audit services	2,559	2,478
Cost of inventories sold	550,472	539,935
Depreciation on property, plant and equipment	9,354	8,898
Amortisation on leasehold land (Note 6)	309	317
Operating lease rentals	2,758	3,671
(Write back of)/provision for slow moving inventories	(2,425)	1,997
Net provision for impairment of trade and bills receivables	721	2,166
Foreign exchange loss/(gain)	1,947	(13,863)
Employee benefits expenses (including directors' remuneration) (Note 24)	60,300	73,388
Other expenses	61,040	74,610
	<u>687,035</u>	<u>693,597</u>
Total cost of goods sold, selling and distribution costs and administrative expenses	<u>687,035</u>	<u>693,597</u>

### 24 EMPLOYEE BENEFITS EXPENSES

	2015 HK\$'000	2014 HK\$'000
Wages and salaries, including other termination benefits HK\$22,000 (2014: HK\$83,000)	52,425	65,112
Pension costs – defined contribution plans (Note (a))	6,367	8,276
Share-based compensation	1,508	–
	<u>60,300</u>	<u>73,388</u>
	<u>60,300</u>	<u>73,388</u>



### 24 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

#### (a) Pensions – defined contribution plans

The Group operated a defined contribution retirement scheme, an Occupational Retirement Scheme, for qualified employees, including executive directors of the Company, in Hong Kong prior to 1st December 2000. The cost charged to the consolidated income statement represents contributions payable or paid to the funds by the Group at the rate of 5% of the salary with a current ceiling of HK\$1,500 per month for general staff and there is no ceiling for managerial staff. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Commencing on 1st December 2000, the existing employees in Hong Kong may elect to join the Mandatory Provident Fund Scheme (“MPF Scheme”), and all new employees in Hong Kong are required to join the MPF Scheme. Under the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The MPF contributions charged to the income statement represent the contributions payable or paid to the funds by the Group.

Contributions totalling HK\$40,000 (2014: HK\$104,000) were payable to the funds at the year end.

Employees in the subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes operated by the local municipal governments. The retirement schemes for employees of the overseas subsidiaries follow the local statutory requirements of the respective countries. Contributions are made to the schemes based on a certain percentage of the applicable employee payroll.

There is no forfeited contributions utilised during the year (2014: Nil).

## Notes to the Consolidated Financial Statements (Continued)

### 24 EMPLOYEE BENEFITS EXPENSES (CONTINUED)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2014: three) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one (2014: two) individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances, share options and benefits in kind	1,017	1,937
Discretionary bonuses	113	178
Pension costs – defined contribution plans	45	91
	<u>1,175</u>	<u>2,206</u>

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>2</u>
	<u>1</u>	<u>2</u>

## Notes to the Consolidated Financial Statements (Continued)

### 25 FINANCE INCOME AND EXPENSES

	2015 HK\$'000	2014 HK\$'000
<b>Finance expenses</b>		
Interest expense on:		
– bank overdrafts, trust receipt loans and bank borrowings	<b>(3,023)</b>	(3,661)
<b>Finance income</b>		
Interest income on short-term bank deposits	<b>1,572</b>	1,587
Interest income on loan to an associate	<b>1,228</b>	1,469
	<b>2,800</b>	3,056
Finance expenses – net	<b>(223)</b>	(605)

### 26 INCOME TAX EXPENSE

The amount of taxation charged to the consolidated income statement represents:

	2015 HK\$'000	2014 HK\$'000
Current income tax		
– Hong Kong profits tax	<b>104</b>	286
– PRC and overseas taxation	<b>644</b>	167
– Under provision in previous years	<b>221</b>	148
Deferred income tax (Note 21)	<b>45</b>	397
	<b>1,014</b>	998

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax (“EIT”) in the PRC has been provided at the rate of 25% (2014: 25%) on the estimated assessable profit for the year with certain preferential provisions.

Corporate tax in Singapore has been provided at the rate of 17% (2014: 17%) on the estimated assessable profit for the year.

Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

## Notes to the Consolidated Financial Statements (Continued)

### 26 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profit of the consolidated entities are as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	<b>22,472</b>	23,563
Tax calculated at domestic tax rates applicable to profit in the respective countries	<b>4,084</b>	6,605
Income not subject to taxation	<b>(6,359)</b>	(9,972)
Expenses not deductible for taxation purposes	<b>2,345</b>	2,676
Tax losses for which no deferred income tax asset was recognised	<b>1,504</b>	3,002
Utilisation of previous unrecognised temporary difference	<b>(781)</b>	(1,600)
Under provision in previous years	<b>221</b>	148
Others	<b>-</b>	139
Income tax expense	<b>1,014</b>	998

### 27 REALISED AND UNREALISED FOREIGN EXCHANGE GAIN/LOSS

The realised exchange loss of HK\$4,037,000 and unrealised exchange gain of HK\$2,090,000 recognised in the consolidated income statement are included as administrative expenses for the year ended 31st December 2015 (2014: realised exchange gain of HK\$1,237,000 and unrealised exchange gain of HK\$12,626,000).

## Notes to the Consolidated Financial Statements (Continued)

### 28 EARNINGS PER SHARE

#### (a) Basic

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

	2015	2014
Profit attributable to owners of the Company (HK\$'000)	21,458	22,565
Weighted average number of ordinary shares in issue (in thousands)	222,930	221,934
Basic earnings per share attributable to equity owners of the Company (HK cents per share)	9.63	10.17

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	21,458	22,565
Weighted average number of ordinary shares in issue (in thousands)	222,930	221,934
Adjustments for:		
– Share options (in thousands)	1,631	–
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	224,561	221,934
Diluted earnings per share (HK cents)	9.56	10.17

## Notes to the Consolidated Financial Statements (Continued)

### 29 DIVIDENDS

The dividends paid in 2015 and 2014 were HK\$15,658,000 (HK7 cents per share) and HK\$3,329,000 (HK1.5 cents per share) respectively. A dividend in respect of the year ended 31st December 2015 of HK1.5 cents per share, amounting to a total dividend of HK\$3,355,000, is to be proposed at the annual general meeting on 27th May 2016. These financial statements do not reflect this dividend payable.

	2015 HK\$'000	2014 HK\$'000
Interim, paid, of HK3.5 cents (2014: HK Nil cents) per ordinary share	7,829	–
Final, proposed, of HK1.5 cents (2014: HK3.5 cents) per ordinary share	3,355	7,768
	<b>11,184</b>	<b>7,768</b>

## Notes to the Consolidated Financial Statements (Continued)

### 30 CASH GENERATED FROM OPERATIONS

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	22,472	23,563
Adjustments for:		
– Share-based compensation (Note 24)	1,508	–
– Depreciation of property, plant and equipment (Note 7)	9,354	8,898
– Amortisation on leasehold land (Note 6)	309	317
– Loss on sale of property, plant and equipment (see Note (a) below)	548	195
– Fair value gain of investment property	(2,600)	(2,700)
– Fair value loss on derivative financial instruments (Note 22)	1,774	3,539
– Interest income	(2,800)	(3,056)
– Interest expense	3,023	3,661
– Unrealised exchange gain	(2,090)	(12,626)
– (Write back of)/provision for slow moving inventories (Note 15)	(2,425)	1,997
– Net impairment losses for trade receivables (Note 14)	721	2,166
– Share of profits of associates (Note 10)	(16,307)	(16,685)
– Dividend income from available-for-sale financial assets	(346)	–
Operating cash inflow before working capital changes:	13,141	9,269
Changes in working capital (excluding the effects of exchange differences on consolidation):		
– Inventories	19,875	(18,034)
– Trade receivables and bills receivables, other receivables, prepayments and deposits	(12,028)	19,198
– Trade payables and bills payables, trust receipt loans, other payables, accruals and deposits received	(10,413)	13,696
Cash generated from operations	<u>10,575</u>	<u>24,129</u>

Note:

(a) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2015 HK\$'000	2014 HK\$'000
Net book amount (Note 7)	4,197	195
Loss on sale of property, plant and equipment	(548)	(195)
Proceeds from sale of property, plant and equipment	<u>3,649</u>	<u>–</u>

## Notes to the Consolidated Financial Statements (Continued)

### 31 CONTINGENT LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Letters of guarantee given to customers	<u>23,870</u>	<u>14,557</u>

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided letters of guarantee to third parties on behalf of these subsidiaries.

### 32 COMMITMENTS

#### (a) Commitments under operating leases

*As lessee*

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	661	2,289
Later than one year but not later than five years	—	263
	<u>661</u>	<u>2,552</u>

#### (b) Capital commitment

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015 HK\$'000	2014 HK\$'000
Property, plant and equipment	<u>2,004</u>	<u>17,355</u>

## Notes to the Consolidated Financial Statements (Continued)

### 33 RELATED PARTY TRANSACTIONS

The Group is controlled by Peak Power Technology Limited (incorporated in the British Virgin Island), which owns 64.62% of the Company's shares. The remaining 35.38% of the shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following transactions were care:

#### (a) Key management compensation

Key management includes directors (executive and non-executive) and members of executive committee. The compensation paid or payable to key management for employee services is shown below:

	2015 HK\$'000	2014 HK\$'000
Salaries and other short-term employee benefits	9,905	12,086
Pension costs – defined contribution plans	311	355
Share-based compensation	909	–
	<u>11,125</u>	<u>12,441</u>

#### (b) Sales and purchases of goods and services:

	2015 HK\$'000	2014 HK\$'000
Purchase of goods from an associate – MLMC	2,483	1,126
Management fee income from an associate (Note 22) – MLMC	1,433	1,404
Service income from an associate – OPS	185	399
	<u>185</u>	<u>399</u>

The transactions were conducted in the normal course of business at price and terms mutually agreed between both parties.

## Notes to the Consolidated Financial Statements (Continued)

### 33 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Year-end balance arising from sales and purchase of goods/services

	2015 HK\$'000	2014 HK\$'000
Receivable from an associate – MLMC	–	234
Payable to an associate – MLMC	235	–

#### (d) Loan to an associate

The balance represents a loan made to an associate – OPS. The loan is unsecured, interest bearing at HIBOR plus 4.5% per annum and will not be repaid within the next twelve months but within five years from the reporting date. During the year, interest received from OPS amounted to HK\$1,228,000 (2014: HK\$1,469,000).

As at 31st December 2015, the carrying value of the loan to an associate was HK\$25,430,000 (2014: HK\$28,281,000). Based on assessment on the recoverability of the balance, management considers no impairment provision is necessary.

## Notes to the Consolidated Financial Statements (Continued)

### 34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

#### Balance sheet of the Company

	As at 31st December	
	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	92,327	91,645
Amounts due from subsidiaries	49,104	51,020
	<b>141,431</b>	142,665
<b>Current assets</b>		
Amounts due from subsidiaries	11,000	10,000
Other receivables and prepayments	323	366
Tax receivable	–	29
Cash and cash equivalents	5	31
	<b>11,328</b>	10,426
<b>Total assets</b>	<b>152,759</b>	153,091
<b>EQUITY</b>		
<b>Capital and reserves attributable to the owners of the Company</b>		
Share capital	22,367	22,193
Other reserves	125,833	122,533
Retained earnings	4,344	8,328
<b>Total equity</b>	<b>152,544</b>	153,054
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables	215	37
<b>Total liabilities</b>	<b>215</b>	37
<b>Total equity and liabilities</b>	<b>152,759</b>	153,091

The balance sheet of the Company was approved by the Board of Directors on 21st March 2016 and were signed on its behalf.

**LEE Sou Leung, Joseph**  
Director

**CHAN Ching Huen, Stanley**  
Director

## Notes to the Consolidated Financial Statements (Continued)

### 34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

#### Note (a) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2014	29,790	91,445	(3,648)	2,974	12,695	133,256
Loss for the year	-	-	-	-	(1,038)	(1,038)
Dividend paid relating to 2013	-	-	-	-	(3,329)	(3,329)
Currency translation difference	-	-	1,972	-	-	1,972
<b>At 31st December 2014</b>	<u>29,790</u>	<u>91,445</u>	<u>(1,676)</u>	<u>2,974</u>	<u>8,328</u>	<u>130,861</u>
At 1st January 2015	29,790	91,445	(1,676)	2,974	8,328	130,861
Profit for the year	-	-	-	-	11,674	11,674
Employee share option scheme						
– Value of services provided	-	-	-	1,508	-	1,508
– Exercise of share options	1,792	-	-	-	-	1,792
Dividend paid relating to 2014	-	-	-	-	(7,829)	(7,829)
Dividend paid relating to 2015	-	-	-	-	(7,829)	(7,829)
<b>At 31st December 2015</b>	<u>31,582</u>	<u>91,445</u>	<u>(1,676)</u>	<u>4,482</u>	<u>4,344</u>	<u>130,177</u>

## Notes to the Consolidated Financial Statements (Continued)

### 35 BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of every director is set out below:

For the year ended 31st December 2015

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits (Note a) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
<i>Chairman and Chief Executive</i>							
Lee Sou Leung, Joseph	-	1,560	100	-	2,067	72	3,799
<i>Executive directors</i>							
Chan Ching Huen, Stanley	-	1,196	100	348	191	18	1,853
Wong Man Shun, Michael	-	1,349	308	-	191	62	1,910
Chu Weiman (Note b)	-	1,200	130	-	191	16	1,537
<i>Non-executive directors</i>							
Pike, Mark Terence	150	-	-	-	21	-	171
Lee Tai-chiu	150	-	-	-	21	-	171
ZAVATTI Samuel	150	-	-	-	21	-	171

Notes:

- (a) Other benefits includes share options, accommodation provided by the Group and sundry expenses borne by the Group.
- (b) Appointed on 1st February 2015.
- (c) Discretionary bonuses are determined on net profit of the Group.

## Notes to the Consolidated Financial Statements (Continued)

### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31st December 2014 (Restated):

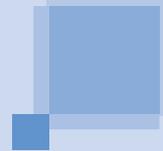
Certain of the comparative information of directors' emoluments for the year ended 31st December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits (Note a) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
<i>Chairman and Chief Executive</i>							
Lee Sou Leung, Joseph	-	1,560	110	-	1,872	72	3,614
<i>Executive directors</i>							
Chan Ching Huen, Stanley	-	1,179	110	316	-	17	1,622
Wong Man Shun, Michael	-	1,300	245	-	-	60	1,605
<i>Non-executive directors</i>							
Pike, Mark Terence	150	-	-	-	-	-	150
Nimmo, Walter Gilbert Mearns (Note b)	113	-	-	-	-	-	113
Lee Tai-chiu	150	-	-	-	-	-	150
Lui Sun Wing	75	-	-	-	-	-	75
ZAVATTI Samuel (Note c)	38	-	-	-	-	-	38

Notes:

- (a) Other benefits includes accommodation provided by the Group and sundry expenses borne by the Group.
- (b) Resigned on 1st October 2014.
- (c) Appointed on 1st October 2014.
- (d) Discretionary bonuses are determined on net profit of the Group.



### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

There was no remuneration paid or receivable in respect of accepting office as director and director's other services in connection with the management of the affairs of the Company during the year (2014: Nil).

None of the directors have waived any of the emoluments during the year ended 31st December 2015 and 2014.

#### (b) Directors' material interests in transactions, arrangement or contracts

No significant transactions, arrangements and contracts in related to the Company's business in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

#### (c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2014: Nil).

#### (d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2014: Nil).

#### (e) Consideration provided to third parties for making available directors' services

During the year ended 31st December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

#### (f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31st December 2015, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2014: Nil).

## Five Year Financial Summary

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Results</b>					
Sales	<b>674,980</b>	678,215	745,599	946,295	1,225,509
Profit before income tax	<b>22,472</b>	23,563	4,819	16,846	39,825
Income tax (expense)/credit	<b>(1,014)</b>	(998)	1,674	(1,150)	(4,815)
Profit for the year	<b>21,458</b>	22,565	6,493	15,696	35,010
Profit attributable to Equity shareholders	<b>21,458</b>	22,565	6,493	15,134	32,604
Non-controlling interest	–	–	–	562	2,406
<b>Assets</b>					
Property, plant and equipment	<b>190,522</b>	187,168	178,433	225,134	207,885
Leasehold land	<b>8,332</b>	8,895	9,359	6,856	6,947
Prepayments	<b>19,029</b>	7,449	1,705	–	–
Investments in associates	<b>96,996</b>	81,482	69,205	62,182	–
Loans to an associate	<b>25,430</b>	28,281	32,148	30,805	–
Current assets	<b>301,842</b>	345,613	421,674	502,678	592,695
Investment property	<b>43,000</b>	40,400	37,700	–	–
Total assets	<b>685,151</b>	699,288	750,224	827,655	807,527
<b>Liabilities</b>					
Current liabilities	<b>301,294</b>	326,840	387,274	438,808	405,635
Non-current liabilities	<b>24,578</b>	23,315	22,188	25,662	18,519
Total liabilities	<b>325,872</b>	350,155	409,462	464,470	424,154
Net assets	<b>359,279</b>	349,133	340,762	363,185	368,520