



## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## CORPORATE INFORMATION

**BOARD OF DIRECTORS****Executive directors**

Mr. Chung Chi Hang, Larry (*Chairman*)  
 Mr. Chung Tin Shing  
 Mr. Wong Shek Fai, Johnson

**Independent non-executive directors**

Mr. Wong Choi Chak  
 Mr. Li Chung Pong, Stephen  
 Mr. Tang Sze Wo

**COMPANY SECRETARY**

Ms. Chau Hing Ling

**COMPLIANCE OFFICER**

Mr. Wong Shek Fai, Johnson

**BOARD COMMITTEES****Audit committee**

Mr. Wong Choi Chak (*Chairman*)  
 Mr. Li Chung Pong, Stephen  
 Mr. Tang Sze Wo

**Nomination committee**

Mr. Li Chung Pong, Stephen (*Chairman*)  
 Mr. Tang Sze Wo  
 Mr. Chung Tin Shing

**Remuneration committee**

Mr. Tang Sze Wo (*Chairman*)  
 Mr. Wong Choi Chak  
 Mr. Chung Chi Hang, Larry

**Risk management committee**

Mr. Chung Tin Shing (*Chairman*)  
 Mr. Wong Shek Fai, Johnson  
 Mr. Tang Sze Wo

**AUTHORISED REPRESENTATIVES**

Mr. Chung Chi Hang, Larry  
 Mr. Chung Tin Shing

**COMPANY'S WEBSITE**

<http://www.keenocean.com.hk>

**AUDITOR**

Deloitte Touche Tohmatsu  
 35/F., One Pacific Place  
 88 Queensway  
 Hong Kong

**COMPLIANCE ADVISER**

LY Capital Limited  
 Rooms 1901-02  
 China Insurance Group Building  
 141 Des Voeux Road Central  
 Hong Kong

**REGISTERED OFFICE**

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

**PRINCIPAL PLACE OF BUSINESS IN CHINA**

East of Xinggong Avenue  
 and South of Keqi Road  
 High-tech Development Zone  
 Heyuan City  
 Guangdong Province  
 The PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 5, 34th Floor  
 Cable TV Tower  
 9 Hoi Shing Road  
 Tsuen Wan  
 New Territories  
 Hong Kong

## CORPORATE INFORMATION

### PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

DBS Bank (Hong Kong) Limited  
11th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
A18/F., Asia Orient Tower  
Town Place  
33 Lockhart Road  
Wanchai,  
Hong Kong  
(which will be relocated to Suites 3301-04,  
33/F., Two Chinachem Exchange Square,  
338 King's Road, North Point, Hong Kong  
with effect from 5 April 2016)

### STOCK CODE

8070

## FINANCIAL HIGHLIGHTS

## RESULTS

	For the year ended 31 December		
	2013 <i>HK'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	189,907	181,973	<b>175,573</b>
Profit before taxation	9,861	6,204	<b>1,683</b>
Income tax expense	(1,796)	(1,178)	<b>(2,212)</b>
Profit (loss) for the year	<u>8,065</u>	<u>5,026</u>	<u><b>(529)</b></u>

## ASSETS AND LIABILITIES

	At 31 December		
	2013 <i>HK'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total assets	128,328	97,832	<b>86,864</b>
Total liabilities	<u>86,328</u>	<u>50,806</u>	<u><b>40,367</b></u>
	<u>42,000</u>	<u>47,026</u>	<u><b>46,497</b></u>

## CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of the Company, I present to the shareholders the annual report of the Group for the year ended 31 December 2015.

In 2016, the Group will continue to expand our sales in transformers, printed circuit board assembly, ferrite transformers and switching mode power supply. In order to further expand our existing products, we have already recruited a team of internet sales, and have received a very good feedback from our potential customers. Moreover, we will also continue our research and development effort in amplifier products. A team of engineers and salespersons has been set up focusing on audio market in China. A full new line of amplifier products will be launched in the mid of 2016.

On behalf of the Board, I would like to thank the management team and all of our staff for their hard work in the past year. I wish to take this opportunity to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

**Chung Chi Hang, Larry**  
*Chairman*

Hong Kong, 17 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

During the year under review, the Group was principally engaged in the design, manufacturing and distribution of power supply products, in particular, transformers and switching mode power supplies, electronic parts and components.

The Group's production facilities are located at Heyuan City of the People's Republic of China (the "PRC"). All power supply products were manufactured and sold under the Group's brand name called "Keen Ocean" while all electronic parts and components were sold on an "original equipment manufacturer" basis. Among the products sold, transformers, in particular toroidal transfers, have the highest profit margin and represented approximately 47% of total sales for the year ended 31 December 2015 (2014: 49%). The percentage sales for switching mode power supplies and electronic parts and components represented approximately 5% (2014: 9%) and 48% (2014: 42%) respectively of the total sales for the year ended 31 December 2015.

Turnover of transformers, switching mode power supply and electronic parts and components for the year ended 31 December 2015 were HK\$82.6 million (year ended 31 December 2014: HK\$88.9 million), HK\$8.4 million (year ended 31 December 2014: HK\$15.9 million) and HK\$84.6 million (year ended 31 December 2014: HK\$77.2 million) respectively. Details of segmental information for the year ended 31 December 2015 are set out below.

## REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group's operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 2. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Company's revenue from its major products is as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Sales of transformers	<b>82,618</b>	88,917
Sales of switching mode power supply	<b>8,402</b>	15,865
Sales of electronic parts and products	<b>84,553</b>	77,191
	<b>175,573</b>	181,973



# MANAGEMENT DISCUSSION AND ANALYSIS

## Geographical information

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

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	<b>42,262</b>	27,370	<b>644</b>	865
PRC	<b>50,451</b>	53,038	<b>7,705</b>	8,466
Europe	<b>51,073</b>	44,320	–	–
United States	<b>21,967</b>	46,392	–	–
Others	<b>9,820</b>	10,853	–	–
	<b>175,573</b>	181,973	<b>8,349</b>	9,331

## Information about major customers

Revenues from customers during the year contributing over 10% of the total revenue of the Group are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A <sup>1</sup>	<b>20,599</b>	28,914
Customer B <sup>2</sup>	<b>N/A<sup>3</sup></b>	26,465
Customer C <sup>2</sup>	<b>23,898</b>	21,001
Customer D <sup>2</sup>	<b>27,234</b>	N/A <sup>4</sup>

<sup>1</sup> Revenue from sales of transformers

<sup>2</sup> Revenue from sales of electronic parts and components

<sup>3</sup> Customer B did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

<sup>4</sup> Customer D did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue decreased by approximately HK\$6.4 million, or 3.5%, from approximately HK\$182.0 million for the year ended 31 December 2014 to HK\$175.6 million for the year ended 31 December 2015. Such decrease was primarily due to the Group's reluctance to reduce the selling prices of the products in order to generate more sales. Cost of sales decreased by approximately HK\$7.6 million, or 5.1%, from approximately HK\$147.5 million for the year ended 31 December 2014 to approximately HK\$140.0 million for the year ended 31 December 2015. Such decrease was mainly due to the decrease in material prices and reduction of direct labour cost. The Group's gross profit increased by approximately HK\$1.1 million, or 3.4%, from approximately HK\$34.5 million for the year ended 31 December 2014 to approximately HK\$35.6 million for the year ended 31 December 2015. Such increase was mainly due to the Group's strategy to increase margin by maintaining the selling price under material cost reduction. Gross profit margin increased from approximately HK\$18.9% for the year ended 31 December 2014 to approximately 20.3% for the year ended 31 December 2015. Such increase was mainly due to the reduction in production cost but still maintaining the standard of product quality for the year ended 31 December 2015.

Other income decreased by approximately HK\$0.6 million from approximately HK\$1.2 million for the year ended 31 December 2014 to approximately HK\$0.6 million for the year ended 31 December 2015. Such decrease was mainly due to the decrease in interest income from a related company and the decrease in income from sales of scrap materials.

Selling and distribution expenses maintained at approximately HK\$4.7 million (Year ended 31 December 2014: approximately HK\$4.7 million) regardless of the increase in transportation and packaging charges.

Administrative expenses decreased by approximately HK\$1.1 million from approximately HK\$20.9 million for the year ended 31 December 2014 to approximately HK\$19.8 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in number of administration staff.

Other expenses increased by approximately HK\$7.3 million from approximately HK\$0.9 million for the year ended 31 December 2014 to approximately HK\$8.2 million for the year ended 31 December 2015. Such increase was mainly due to the increase in professional fee for the Group's listing.

Finance costs decreased by HK\$1 million from approximately HK\$2.6 million for the year ended 31 December 2014 to approximately HK\$1.6 million for the year ended 31 December 2015. Such decrease was mainly due to decrease in bank borrowings.

Income tax expenses increased by HK\$1 million from approximately HK\$1.2 million for the year ended 31 December 2014 to approximately HK\$2.2 million for the year ended 31 December 2015. Such increase was mainly due to increase in PRC Enterprise Tax as a result of increase in profit for the PRC company and decrease in finance costs.

As a result of the above, the Group recorded a loss of approximately HK\$0.5 million for the year ended 31 December 2015 (year ended 31 December 2014: profit of approximately HK\$5 million).

Details of the Group's bank borrowings and pledge of assets are set out in note 22 and note 24 to the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group believes that environmental, social and governance factors are core to its business strategy. They contribute intangible value to the success of the Group's long term business performance. During the year under review, the Group implemented a policy of energy efficiency, using less energy to provide the same service, energy conservation, avoid unnecessary wastage of energy, reuse of waste materials generated and minimize discharge of undesirable pollutants in the course of the Group's operations. The Group will continue to invest in protecting the environment in order to be a social and environmental responsible corporation. On the social aspect, the Group has provided equal employment opportunity to the local community and encouraged staff to take part in community events and activities on behalf of the Group. On the governance aspect, apart from complying with the relevant regulations and best practices, the Group has strived to improve the transparency of its business activities and financial reporting so as to enable its stakeholders to make the right investment decision making.

The Group maintains a positive relationship with its stakeholders, in particular its employees, customers and suppliers, that may have a significant impact on the Group and on which the Group's success depends. The Group has good track records of low and stable staff turnover rate, low customers' complaint records and long trading history with some of its customers and suppliers. The success in maintaining such records are due to: (1) the Group is an equal opportunity organisation without regard to employees' nationality, sex or age. Employees are fairly treated and appraised based on their performance in their positions. The Group provides a harmonious and warm working and living environment for its employees. In addition, the Group also organise various team building activities for them to build up loyalty with the Group; (2) in order to achieve customers' satisfaction, the Group has a customer complaint handling mechanism in place with well-defined procedures to settle disputes with customers; (3) as a stable supply of raw materials is critical to the Group's business and operation, the purchasing team of the Group keeps good relationship with its existing suppliers by calling them frequently to obtain latest information on raw material supplies and compare the prices of raw materials among different suppliers in order to get the best deals and timely delivery of raw materials. During the year under review, a small amount of recurring customers did not place orders from the Group due to various reasons. Such decrease in orders were not due to any disputes with these customers or their dissatisfaction with the Group's products. The Directors confirmed that such decrease in sales has no material impact on the Group and on which the Group's success depends. Remedial actions have been taken by senior management of the Group to follow up with non-recurring customers. The Group believes that stakeholders' relationship is valuable for the Group's future development and endeavors to maintain such relationship for the years to come.

A comprehensive list of the Group's risk factors relating to the Group's business and the industry in which the Group operates were set out on pages 31 to 50 of the Company's prospectus dated 17 February 2016 (the "**Prospectus**"). The Group is fully aware of the risk existed and will find ways to turn these risk factors into opportunities.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Financial Resources

During the year under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 December 2015, the Group had a healthy financial position with net assets amounted to approximately HK\$46.5 million (31 December 2014: approximately HK\$47.0 million). Net current assets stood at approximately HK\$38.6 million as at 31 December 2015 (31 December 2014: approximately HK\$38.5 million).

As at 31 December 2015, Shareholder's fund amounted to approximately HK\$46.5 million (31 December 2014: approximately HK\$47.0 million). Current assets amounted to approximately HK\$78.5 million (31 December 2014: approximately HK\$88.5 million), mainly comprising of inventories, trade and other receivables and prepayments, pledged bank deposits, bank balances and cash. Current liabilities amounted to approximately HK\$40.0 million (31 December 2014: HK\$50.0 million) mainly comprising of trade and other payables and accruals, bank borrowings and income tax payable.

The Group's bank balances and cash amounted to HK\$10.4 million (31 December 2014: HK\$6.7 million). Net asset value per share was HK\$0.332 (31 December 2014: HK\$0.336).

The gearing ratio of the Group, which is based on the ratio of interest bearing borrowings net of cash and cash equivalents to total equity, was approximately 0.23% as at 31 December 2015 (31 December 2014: 0.33%). Such decrease was mainly due to the repayment of bank loans.

As the Company was successfully listed on GEM on 24 February 2016 (the "**Listing**"), the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and the net proceeds from the Listing and other fund raised from the capital markets from time to time.

## Capital Structure

As at 31 December 2015, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were mainly denominated in Hong Kong dollars and Great British pounds which were secured by pledged bank deposits and trade receivables of the Group.

## Foreign Exchange Exposure

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi, Hong Kong dollars, Euro dollars and Great British pounds, which exposes the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investment Held

As at 31 December 2015, the Group did not have any significant investment held (31 December 2014: nil).

## Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities (31 December 2014: nil).

## Capital Commitment

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

## Employee and Remuneration Policies

As at 31 December 2015, the Group had a total staff of approximately 501 employees (31 December 2014: 687), including the Directors. Total staff costs excluding Directors' remuneration for the year under review amounted to approximately HK\$36.5 million (2014: HK\$44.9 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis. Employees' remunerations and related benefits are determined with reference to their performance, qualifications, experience, positions and the performance of the Group.

## Charges on the Group's Assets

The following assets of the Company were pledged at end of the reporting period for certain banking facilities granted to the Company:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Pledged bank deposits	<b>9,089</b>	11,049
Trade receivables	<b>17,972</b>	16,681
	<b>27,061</b>	27,730

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2015, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company as set out in the section headed "Reorganisation" of the Prospectus.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Prospect

The Group believes the net proceeds from the Listing provides a timely source of fund for the future development of the Group's business. Looking forward to 2016 and beyond, the Group expects the power supply products market to remain challenging. Apart from promoting existing products, the Group will continue to develop new products with higher profit margin, upgrade its production capability, solidify relationship with existing customers, widen customer base and broaden existing product portfolio. The Group will also continue to enhance its efficiency and effectiveness in production processes and improve product quality in order to keep up with customer demands and achieve consistent customer satisfaction. The Group believes the Listing on GEM would increase the status of the Group in the power supply products market. This would help the Group to strengthen its relationship with existing customers so as to maintain a consistent growth of a sizable and loyal customer base. The Group also believe that environmental, social and governance ("ESG") factors will add value to its business strategy. The Group will place great importance on these values and manage its corporate ESG responsibilities as part of its daily business operations. The Group will establish key performance indicators to track its performance in relation to ESG matters. By doing so, the Group aims to strengthen its competitiveness in the market, generate sustainable returns and maximize shareholders' wealth.

## Events After the End of the Reporting Period

On 24 February 2016, the shares of the Company were successfully listed on the GEM by issuing 60,000,000 ordinary shares of HK\$0.01 each of the Company at placing price of HK\$0.55 each and 139,990,000 ordinary shares of HK\$0.01 each of the Company credited as fully paid by way of capitalization of the amount of HK\$1,399,900 standing to the credit of the share premium account of the Company. The net proceeds from the placing, after deduction of underwriting fees and related expenses payable by the Group in connection therewith, were approximately HK\$16 million.

## Comparison Between Business Objectives with actual business Progress and Use of Proceeds

The net proceeds from the Listing were approximately HK\$16 million. No comparison between business objectives with actual progress and use of proceeds are presented as this annual report covers activities up to 31 December 2015 only. None of the net proceeds raised from the Listing were applied before the date of this annual report. As at the date of this annual report, the Directors are not aware of any material change to the planned use of the proceeds as stated in the Prospectus.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Chung Chi Hang, Larry (鍾志恆)**, aged 44, is the chairman and an executive Director of the Company. Mr. Chung is primarily responsible for the overall business strategy and development of the Group and monitor the Group's financial position. He is the founder of the Group in May 2000. Being the founder and his long-time commitment to the Group, Mr. Chung is the spearhead of our Group's development and growth. He formulated the overall development plan and strategy of the Company, includes the transformation of the production model of the Company from processing arrangement to its own production, expansion of the business of the Company to domestic sales and diversification of the product ranges of the Company. Before founding the Group, Mr. Chung worked in his family construction business from March 1998 to August 2001 and was principally responsible for monitoring the work progress, calculating construction workers' wages and overseeing financial operation.

**Mr. Chung Tin Shing (鍾天成)**, aged 45, is the chief executive officer and an executive Director of the Company. Mr. Chung is primarily responsible for overseeing the overall operation and marketing and sales of the Group. He graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (finance) in 1994. Mr. Chung formally joined the Group in June 2001. Before joining the Group, Mr. Chung was responsible for the marketing operation management in Mae Holdings Limited.

**Mr. Wong Shek Fai, Johnson (黃石輝)**, aged 43, is an executive Director and compliance officer of the Company. Mr. Wong is primarily responsible for overseeing the production and engineering of the Group. Mr. Wong obtained the bachelor of electrical engineering from Carleton University in Canada in 1995. Mr. Wong joined the Group in January 2006. Before joining the Group, Mr. Wong worked as manager for the engineering department of Mei Ah Electrical & Industry (HK) Ltd. from May 1995 to January 2006 responsible for the project development and providing technical support to sale and marketing team.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Choi Chak (黃在澤)**, aged 51, is an independent non-executive Director of the Company. Mr. Wong has worked for various listed companies for over 20 years primarily responsible for financial projection, finance control and accounting matters. Mr. Wong is currently the chief financial officer and company secretary of China Minsheng Financial Holding Corporation Limited (formerly known as China Seven Star Holdings Limited), a company listed on the Stock Exchange (stock code: 245). Mr. Wong was the financial controller and company secretary of De Team Company Limited, a company listed on the Stock Exchange (stock code: 65) from October 2003 to January 2015. Mr. Wong holds a bachelor's degree in Accounting from the University of Lincoln, England. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Li Chung Pong, Stephen (李仲邦)**, aged 49, is an independent non-executive Director of the Company. Mr. Li graduated from Schulich School of Business, York University majoring in finance and management science in June 1989. He obtained a master degree of business administration from Schulich School of Business, York University in June 1992, of science in financial engineering from City University of Hong Kong in May 2000, of science in electronic commerce management and of science in information systems management from Hong Kong University of Science & Technology in January 2003 and November 2005 respectively. He has been a candidate for PhD degree in finance in Shanghai University of Finance & Economics since September 2007.

Mr. Li was conferred by Global Association of Risk Professionals as a certified financial risk manager in 2001. He has also been a member of Hong Kong Securities and Investment Institute since 2001, and a full member of Treasury Markets Association since 2006.

Mr. Li was a financial analyst in the head office of The Body Shop Canada Limited from December 1989 to May 1991. He worked as a management trainee, assistant vice president and corporate advisor in the treasury of Bank of America NT & SA from August 1992 to September 1997. He then acted as the vice president and corporate desk head in the treasury marketing unit for Hong Kong, the vice president in the structured product group for Hong Kong, and the vice president in the regional financial market treasury for Citibank N.A., Hong Kong Branch from October 1997 to June 2004. He was the director and regional head of business sales for global markets of Standard Chartered Bank from July 2004 to December 2007. He acted as the head of treasury for Greater China and head of marketplaces for North Asia of Thomson Reuters from January 2008 to December 2013. He acted as the chief representative for Beijing of Reuters Transaction Services Ltd. from April 2011 to December 2013. He has been the director of Sky Source Enterprises Limited since April 2014.

**Mr. Tang Sze Wo (鄧仕和)**, aged 54, is an independent non-executive Director of the Company. Mr. Tang graduated with a Bachelor of Science (Honours) Construction Project Management from the University of Central Lancashire in the United Kingdom in 2005 and a master degree in Construction and Management from Griffith University of Australia in 2002. Mr. Tang is a registered professional engineer (civil) and currently is the corporate member of the Hong Kong Institution of Engineers. He was a member of the Registered Contractors' Disciplinary Board Panel from 2008 to 2011. From 1984 to 1994, he was employed by Sheung Yip Construction Limited mainly responsible for supervision and training. From 1994 to 1996, he was employed as a general foreman by Hong Kong and Macau International (Holding) Limited mainly responsible for the management and supervision of various building development projects in Hong Kong and the PRC. Since January 1997, Mr. Tang was appointed as the managing director of Sheung Moon Construction Limited mainly responsible for project management and overall management of this company.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Yu Siu Ming (余兆明)**, aged 52, is the financial controller of the Group. Mr. Yu obtained a bachelor's degree in Business Administration from the Queen's University of Brighton in 2007 and a MBA of Financial Management from the Queen's University of Brighton in 2009. From 1984 to 1987, Mr. Yu worked with G. F. Mark Five Knitting Factory Limited initially as an account clerk and promoted as an assistant accountant. From 1987 to 1988, he worked as an accountant with China Rising Development Limited. From 1988 to 1991, he worked as an accountant with Bagutta Garment Limited. From 1991 to 2007, he worked as an accountant and controller with Ospinter Limited. From 2007 to 2008, Mr. Yu worked as an accountant with Flexcon Limited.

**Mr. Yin Fan (尹凡)**, aged 37, is the financial manager of He Yuan Sky Wealth Electronic and Plastic Company Limited (河源天裕電子塑膠有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Yin graduated from Hunan Institute of Technology (湖南工學院), formerly known as Hunan Construction Material Advanced Technical School (湖南建材高等專科學校), majoring in corporate management in 2002. From 2004 to 2005, he worked as the account and tax manager with 力升樹燈(河源)有限公司. From 2005 to 2008, he worked as the financial vice-manager, administration manager and assistant to vice-general manager with 中山澳碧製衣有限公司. From 2008 to 2011, he worked as the accounting manager with T-Lab Electronic and Plastic (He Yuan) Co., Ltd. (天工電子塑膠(河源)有限公司), a limited liability company established in the PRC on 12 January 2005, which is ultimately owned by Mr. Chung Chi Hang, Larry as to 90% and Mr. Chung Tin Shing as to 10%.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

As the Company became listed on 24 February 2016, each of the Board committees, including the audit committee, the nomination committee, the remuneration committee and the risk management committee did not convene any meeting during the year under review.

During the period from the date of Listing, i.e. Wednesday, 24 February 2016 (the “**Listing Date**”) and up to the date of this annual report (the “**Period**”), the Company has complied with the CG Code.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Period.

## BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises six directors, including three executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

### Executive directors

Mr. Chung Chi Hang, Larry (appointed on 19 December 2015)  
 Mr. Chung Tin Shing (appointed on 19 December 2015)  
 Mr. Wong Shek Fai, Johnson (appointed on 17 March 2015)

### Independent non-executive directors

Mr. Wong Choi Chak (appointed on 2 February 2016)  
 Mr. Li Chung Pong, Stephen (appointed on 2 February 2016)  
 Mr. Tang Sze Wo (appointed on 2 February 2016)

The biographical details of all Directors are set out on pages 14 to 16 of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

## CORPORATE GOVERNANCE REPORT

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

### Board meetings and board practices

The Company became listed on 24 February 2016. The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "**Articles**"). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the Period, one board meeting was held. Details of the attendance of Directors are as follows:

<b>Directors</b>	<b>Attendance/ Number of meeting(s) held</b>
<b>Executive Directors</b>	
Mr. Chung Chi Hang, Larry	1/1
Mr. Chung Tin Shing	0/1
Mr. Wong Shek Fai Johnson	0/1
<b>Independent Non-Executive Directors</b>	
Mr. Wong Choi Chak	1/1
Mr. Li Chung Pong, Stephen	1/1
Mr. Tang Sze Wo	1/1

# CORPORATE GOVERNANCE REPORT

## Appointment and re-election of directors

The current Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. Each of the executive Directors and independent non-executive Directors has entered into a services contract or an appointment letter with the Company respectively. The services contract of each of the executive Directors is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for a term of three years commencing from his appointment date, which may be terminated by not less than one month's notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for a term of three years commencing from his appointment date, which may be terminated by not less than one month's notice in writing served by either party on the other. The aforesaid services contracts or appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

## Continuing professional development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the Period, each of the Directors, namely Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing, Mr. Wong Shek Fai, Johnson, Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. Prior to the listing of the Company, each of the aforesaid Directors have attended the training courses conducted by the legal adviser and the company secretary of the Company respectively. The content of such training related to the duties of directors and on-going obligations of listed companies.

All Directors, namely Mr. Chung Chi Hang, Larry, Mr. Chung Tin Shing, Mr. Wong Shek Fai, Johnson, Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

## Independent non-executive directors

The Company has three independent non-executive Directors to comply with Rule 5.05 of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Wong Choi Chak has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo to be independent.

## Chairman and chief executive

In accordance to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Chung Chi Hang, Larry, the Chairman, is responsible for managing the Group's business development and devising the business strategies. Mr. Chung Tin Shing, the chief executive officer, is responsible for overseeing the overall operation and marketing and sales of the Group.

## BOARD COMMITTEES

To assist the board in its work, the Board is assisted by four board committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website ([www.keenocean.com.hk](http://www.keenocean.com.hk)) and the GEM's website ([www.hkgem.com](http://www.hkgem.com)).

### Audit Committee

The board has established an audit committee (the "**Audit Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, and to perform the Company's corporate governance functions and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Mr. Li Chung Pong, Stephen and Mr. Tang Sze Wo. Mr. Wong Choi Chak is the chairman of the Audit Committee.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year.

## CORPORATE GOVERNANCE REPORT

Due to the fact that the Company was listed after the reporting period, no Audit Committee Meeting was held during the year ended 31 December 2015. One Audit Committee meeting was held during the Period. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2015 and has reviewed the remuneration of the auditor for the year ended 31 December 2015 and has recommended the Board to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2016, subject to approval by the shareholders at the forthcoming annual general meeting expected to be held on 6 June 2016. The Audit Committee has also review the Company's financial controls, internal control and risk management systems, and has also reviewed and monitor corporate governance functions as stipulated in code provision D.3.1 of the CG Code delegated by the Board. The attendance record of each member of the Audit Committee meeting is set out as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Mr. Wong Choi Chak ( <i>Chairman</i> )	1/1
Mr. Li Chung Pong, Stephen	1/1
Mr. Tang Sze Wo	1/1

#### Corporate governance function

The Board has delegated the functions of corporate governance to the Audit Committee with terms of reference as set out in code provision D.3.1 of the CG Code. The aforesaid duties include:

- (a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company.

# CORPORATE GOVERNANCE REPORT

## Remuneration committee

The Board has established a remuneration committee (the “**Remuneration Committee**”) on 2 February 2016, which operates under terms of reference approved by the Board. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management’s remuneration proposals with reference to our Board’s corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company.

The Remuneration Committee currently comprises three members, namely Mr. Tang Sze Wo, Mr. Wong Choi Chak and Mr. Chung Chi Hang, Larry. Mr. Tang Sze Wo is the chairman of the Remuneration Committee.

Due to the fact that the Company was listed after the reporting period, no Remuneration Committee Meeting was held during the year ended 31 December 2015. One Remuneration Committee meeting was held during the Period. The Remuneration Committee has reviewed the remuneration packages of all the Directors and senior management of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Mr. Tang Sze Wo ( <i>Chairman</i> )	1/1
Mr. Wong Choi Chak	1/1
Mr. Chung Chi Hang, Larry	1/1

## Remuneration of Senior management

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

<b>Remuneration bands</b>	<b>Number of Individuals</b>	
	<b>2015</b>	<b>2014</b>
Nil to HK\$1,000,000	2	3

Further particulars regarding directors’ remuneration and the five highest paid employees are set out in note 14 to the consolidated financial statements.

## CORPORATE GOVERNANCE REPORT

**Remuneration policy**

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

**Nomination committee**

The Board has established a nomination committee (the “**Nomination Committee**”) on 2 February 2016, which operates under terms of reference approved by the Board. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee currently comprises three members, namely Mr. Li Chung Pong, Stephen, Mr. Tang Sze Wo and Mr. Chung Tin Shing. Mr. Li Chung Pong, Stephen is the chairman of the Nomination Committee.

Due to the fact that the Company was listed after the reporting period, no Nomination Committee meeting was held during the year ended 31 December 2015. One Nomination Committee meeting was held during the Period. The Nomination Committee has reviewed the structure, size and composition of the Board and board diversity policy as well as discussing matters regarding the retirement and re-election of Directors. Details of the attendance of the members of the Nomination Committee meeting are as follows:

<b>Members</b>	<b>Attendance/ Number of meeting(s) held</b>
Mr. Li Chung Pong, Stephen ( <i>Chairman</i> )	1/1
Mr. Tang Sze Wo	1/1
Mr. Chung Tin Shing	0/1

**Risk management committee**

The Board has established a risk management committee (the “**Risk Management Committee**”) on 2 February 2016 to review the general goals and fundamental policies of the risk and compliance management, internal control and risk management and internal audit functions of the Group and made recommendations to the Board on the same.

The Risk Management Committee currently comprises three members, namely Mr. Chung Tin Shing, Mr. Wong Shek Fai, Johnson and Mr. Tang Sze Wo. Mr. Chung Tin Shing is the chairman of the Risk Management Committee.

Due to the fact that the Company was listed after the reporting period, no Risk Management Committee meeting was held during the year ended 31 December 2015. No Risk Management Committee meeting was held during the Period.



# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

### Auditor's remuneration

During the year ended 31 December 2015, the remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu, in respect of their audit and non-audit services was as follows:

	HK\$'000
Audit service	800
Non-audit services (being Report Accountant in relation to the Listing)	898
Total	<u>1,698</u>

## BOARD DIVERSITY POLICY

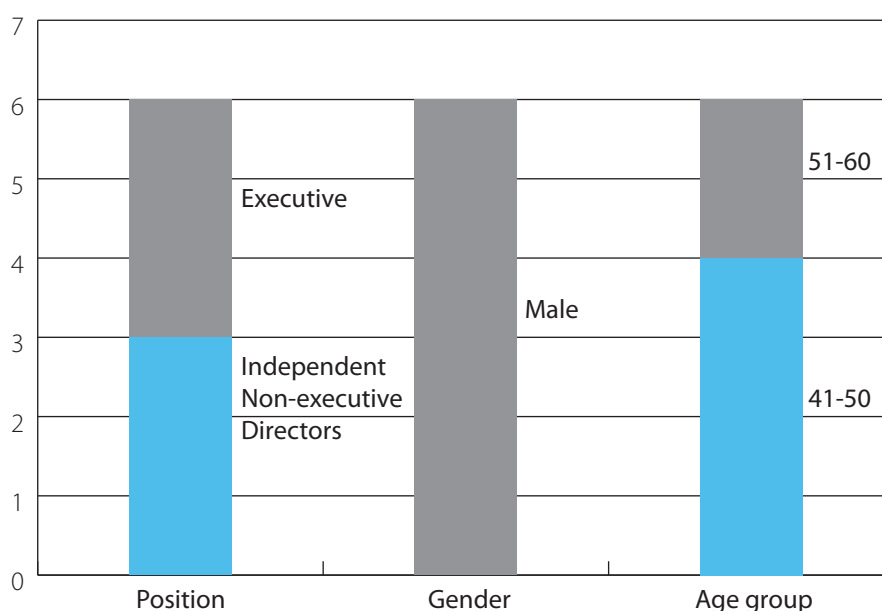
In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 15 of the GEM Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy. The policy is summarized as below:

The Board Diversity Policy (the "**Policy**") of the Company specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

## CORPORATE GOVERNANCE REPORT

The Nomination Committee of the Board will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 16 of this annual report.



The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

### INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed the effectiveness of the system of internal control of the Group, covering all material controls, including financial and operation for the year ended 31 December 2015. The Directors are of the view that the Group's internal control systems are adequate and effective. As disclosed in the Company's Prospectus, the Company has engaged an independent internal control adviser to review on the internal control system of the Group. The internal control adviser has reviewed the internal control system of the Group according to the agreed scope which covers the documentation, testing and assessment of the effectiveness of the procedures, systems and controls established by the Group in regard to the operating cycles of our Group (including

## CORPORATE GOVERNANCE REPORT

the review of the Group's corporate governance practice and regulatory compliance, revenue and receipts cycle, expenses and payments cycle, treasury management cycle, financial reporting cycle and IT general controls). The internal control adviser's review focuses on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of the procedures, systems and controls, and the standards and effectiveness of the corporate governance practice of the Group to ensure the compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

There are two key board committees which seek to monitor the risks to which the Group is subject: the Risk Management Committee and the Audit Committee. Details of such board committees are set out in relevant sections of this Corporate Governance Report.

### GENERAL MEETING

The Company became listed on 24 February 2016. No general meeting was held during the Period.

### INVESTORS AND SHAREHOLDERS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

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

The Company strives to take into consideration its shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

## CORPORATE GOVERNANCE REPORT

### *Right to Convene Extraordinary General Meeting*

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to Article 58 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

### *Procedures for proposing a person for election as a director*

If a shareholder wishes to propose a person (the “**Candidate**”) for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the “**Written Notice**”) to the office of the branch share registrar of the Company in Hong Kong, Union Registrars Limited, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong with effect from 5 April 2016) or the principal place of business of the Company in Hong Kong at Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected as a Director.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

### *Right to Put Enquiries to the Board*

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

# CORPORATE GOVERNANCE REPORT

## *Right to Put Forward Proposals at General Meetings*

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, shareholders who wish to propose resolutions may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 are set out above.

In order to promote effective communication, the Company also maintains website ([www.keenocean.com.hk](http://www.keenocean.com.hk)) which includes the latest information relating to the Group and its businesses.

Share registration matters shall be handled for the shareholders by the Company's Hong Kong branch share registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016).

## **COMPANY SECRETARY**

The Company engages Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited, which is an external service provider, as its company secretary. Her primary contact at the Company is Mr. Yu Siu Ming, the financial controller of the Company.

During the year ended 31 December 2015, Ms. Chau has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

## **SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS**

There were no significant changes in the constitutional documents of the Company for the Period.

# REPORT OF THE DIRECTORS

The directors of the Company (the “**Directors**”) submit herewith their report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015.

## Corporate reorganisation and placing

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 19 December 2014. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing of the issued ordinary shares of HK\$0.01 each in the capital of the Company on the GEM, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s shares (the “**Shares**”) were listed on GEM (the “**Listing**”) on 24 February 2016.

## Principal places of business

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is Unit 5, 34th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

## Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 28 to the consolidated financial statements.

## Business Review

A fair review of the Group’s business during the year is provided in the Management Discussion and Analysis section on pages 7 to 13 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the Management Discussion and Analysis section on pages 7 to 13. Also, the financial risk management objectives and policies of the Group can be found in Note 6b to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in Note 29 to the consolidated financial statements and in the Management Discussion and Analysis section. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Group’s Financial Highlights on page 5 of this annual report. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Management Discussion and Analysis section on pages 7 to 13. The probable future business development of the Company is discussed in the paragraph headed “Prospect” in the Management Discussion and Analysis section from pages 7 to 13 of this annual report.

# REPORT OF THE DIRECTORS

## Results

The results of the Group for the financial year ended 31 December 2015 and the state of affairs of the Group as at that day are set out in the consolidated financial statements on pages 51 to 100.

## Dividend

The board of Directors (the “**Board**”) does not recommend the payment of a final dividend for the year ended 31 December 2015.

## Annual general meeting

The forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company is scheduled to be held on 6 June 2016. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the “**Shareholders**”) in due course.

The register of members of the Company will be closed from 2 June 2016 to 6 June 2016 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong with effect from 5 April 2016) for registration not later than 4:00 p.m. on 1 June 2016.

## Deed of non-competition

A deed of non-competition (the “**Deed of Non-competition**”) dated 2 February 2016 was entered into by Cyber Goodie Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Chung Chi Hang, Larry in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders”.

## Use of proceeds from the Company’s placing

The net proceeds from the Company’s issue of 60,000,000 new shares at the placing price of HK\$0.55 per share at the time of the Listing, after deducting the underwriting fees and other expenses to be borne by the Company, are estimated to be approximately HK\$16 million. The Group intends to apply such net proceeds as follows:

- (a) approximately HK\$11.6 million, representing approximately 72% of the net proceeds from the Placing for the investment cost for the design and development of the new product, namely high power switching mode power supply for audio equipment and reactors, as to approximately HK\$2.2 million as promotion and marketing costs, HK\$2.1 million as design and development costs, HK\$5.1 million for material preparation and HK\$2.2 million for machinery and equipment cost;

## REPORT OF THE DIRECTORS

- (b) approximately HK\$1.4 million, representing approximately 9% of the net proceeds from the Placing for the promotion of existing products and solidifying the relationship with existing customers;
- (c) approximately HK\$1.4 million, representing approximately 9% of the net proceeds from the Placing for increasing the automation level of existing production facilities; and
- (d) approximately HK\$1.6 million, representing approximately 10% of the net proceeds from the Placing, will be used towards working capital and other general corporate purposes.

As the date of this annual report, the Directors do not anticipate any change to the plan as to use of proceeds. Up to the date of this annual report, none of the net proceeds raised were applied and the unused net proceeds were placed with banks in Hong Kong.

### Major customers and suppliers

During the year ended 31 December 2015, the Group's five largest customers accounted for approximately 50% of the revenue. The Group's five largest suppliers accounted for approximately 38% of the total purchases for the year ended 31 December 2015. In addition, the Group's largest customer accounted for approximately 16% of the revenue and the Group's largest supplier accounted for approximately 17% of the total purchases for the year ended 31 December 2015.

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

### Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity and statement of changes in equity respectively in this annual report.

### Distributable reserves

As at 31 December 2015, there was no reserve available for distribution to the Shareholders.

### Property and equipment

Details of movements in the property and equipment of the Group are set out in note 17 to the consolidated financial statements in this annual report.

### Share capital

Details of movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 23 to the consolidated financial statements in this annual report.



# REPORT OF THE DIRECTORS

## Directors

Up to the date of this annual report, the Directors were:

### *Executive directors*

Mr. Chung Chi Hang (appointed on 19 December 2014)  
Mr. Chung Tin Shing (appointed on 19 December 2014)  
Mr. Wong Shek Fai, Johnson (appointed on 17 March 2015)

### *Independent non-executive directors*

Mr. Wong Choi Chak (appointed on 2 February 2016)  
Mr. Li Chung Pong, Stephen (appointed on 2 February 2016)  
Mr. Tang Sze Wo (appointed on 2 February 2016)

Further details of the Directors are set forth in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

All Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Article 83(3) of the Articles.

## Directors’ service contracts

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Share option scheme

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Company passed on 2 February 2016 (“**Share Option Scheme**”) and the terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

## REPORT OF THE DIRECTORS

### (b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

### (c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing, being 20,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

*(d) Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

## REPORT OF THE DIRECTORS

*(e) Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

*(f) Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

## REPORT OF THE DIRECTORS

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

*(g) Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's annual results half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules) and ending on the date of actual publication of the results announcement.

*(h) Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

## REPORT OF THE DIRECTORS

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all the Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

## REPORT OF THE DIRECTORS

(n) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between the Company and its members or creditors*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

## REPORT OF THE DIRECTORS

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of the Company;



## REPORT OF THE DIRECTORS

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

## REPORT OF THE DIRECTORS

(u) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the date of this annual report, no option had been granted or agreed to be granted under the Share Option Scheme.

# REPORT OF THE DIRECTORS

## DISCLOSURE OF INTERESTS

### (a) Interests and short position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations.

As the Company was not listed on GEM as at 31 December 2015, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (“SFO”) and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at 31 December 2015.

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### (i) Interests in the company

Name of Director	Capacity/ Nature of interest	Number of Shares (note 1)	Approximate percentage of Shares
Mr. Chung Chi Hang, Larry (note 2)	Interest of a controlled corporation	126,000,000	63.0%
Mr. Chung Tin Shing	Beneficial interest	14,000,000	7.0%

Notes:

- (1) All interest stated are long positions.
- (2) These Shares are held by Cyber Goodie Limited, 100% shareholding of which is owned by Mr. Chung Chi Hang, Larry. Mr. Chung Chi Hang, Larry is deemed to be interested in the shares held by Cyber Goodie Limited under the SFO.

## REPORT OF THE DIRECTORS

*(ii) Interests in associated corporation(s) of the company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Chung Chi Hang, Larry	Cyber Goodie Limited	Beneficial owner	10 (long position)	100%

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

**(b) Interests and short positions of the substantial shareholders in the shares and underlying shares**

Save as disclosed above, as at the date of this annual report, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**DIRECTORS' RIGHT TO ACQUIRE SHARES**

Save as disclosed in this annual report, at no time since the Listing Date was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

**SUFFICIENCY OF PUBLIC FLOAT**

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this annual report.

**REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in note 14 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 December 2015.

# REPORT OF THE DIRECTORS

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2015.

## **CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 31 December 2015, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at 31 December 2015 are set out in note 22 to the consolidated financial statements in this annual report.

## **RETIREMENT BENEFITS PLANS**

Particulars of retirement benefits plans of the Group as at 31 December 2015 are set out in note 3 to the consolidated financial statements in this annual report.

## **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this annual report.

## **CONNECTED TRANSACTIONS**

The related party transactions and balance of the Company are set out in note 26 to the consolidated financial statements in this annual report. Apart from the continuing connected transactions disclosed below, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the relevant reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

The independent non-executive Directors of the Company have reviewed and confirmed that the continuing connected transactions set out below have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the terms of the agreements governing the relevant transactions, and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the Group's continuing connected transactions are as follows:

### *Leasing*

On 25 March 2015, 河源天裕電子塑膠有限公司 (He Yuan Sky Wealth Electronic and Plastic Company Limited) ("**He Yuan Sky Wealth**") and 天工電子塑膠(河源)有限公司 (T-Lab Electronic and Plastic (He Yuan) Co. Ltd.) ("**He Yuan T-Lab**") entered into a tenancy agreement (the "**Tenancy Agreement**") whereby He Yuan Sky Wealth leases from He Yuan T-Lab the properties located at the east of Xinggong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC (the "**Properties**") for a term of three years commencing from the Listing Date at a monthly rental of RMB124,000 (excluding any utilities and management fees). The Properties are used by He Yuan Sky Wealth for production, warehouse and dormitory uses, with an option to renew every three years.

He Yuan T-Lab is a company established in the PRC on 12 January 2005 and is wholly-owned by Yield Speed Limited which is ultimately owned as to 90% by Cyber Goodie Limited and as to 10% by Mr. Chung Tin Shing. At present, other than holding and leasing the Properties, He Yuan T-Lab does not engage in any operating activities. Cyber Goodie Limited is wholly-owned by Mr. Chung Chi Hang, Larry, the controlling shareholder of the Company. Mr. Chung Tin Shing is one of the shareholders and executive Directors of He Yuan T-Lab. As such, He Yuan T-Lab is the connected person of the Company under Rule 20.7 of the GEM Listing Rules.

During each of the three years ending 31 December 2017, the rental payment payable by the Group under the Tenancy Agreement shall not exceed the annual cap of RMB1,488,000.

### *Guarantees*

As at 31 December 2015, Mr. Chung Chi Hang Larry, Mr. Chung Tin Shing and Mr. Chung Chi Wah provided joint guarantees amounting to approximately HK\$16,209,000 in respect of bank facilities granted to the Group.

As at 31 December 2015, Mr. Chung Chi Hang Larry and Mr. Chung Chi Wah provided joint guarantees amounting to approximately HK\$4,976,000 in respect of bank facilities granted to the Group.

## REPORT OF THE DIRECTORS

Mr. Chung Chi Hang Larry is the ultimate controlling shareholder and a director of the Company. Mr. Chung Tin Shing is a non-controlling shareholder and a director of the Company. Mr. Chung Chi Wah is close family member of Chung Chi Hang Larry.

As the personal guarantees are provided by connected persons for the benefit of the Group on normal commercial terms or better where no security over the assets of the Group is granted in respect of the personal guarantees, the above transaction will constitute a continuing connected transaction for the Company which is fully exempt from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.88 of the GEM Listing Rules.

Save as aforesaid, the Directors have confirmed that the Group does not have other connected transactions and continuing connected transactions as defined under the GEM Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 20 of the GEM Listing Rules.

In accordance with the requirement of Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditors to perform certain procedures on the above continuing connected transactions. The auditors have reviewed the above transactions in accordance with Hong Kong standards on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions Under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and confirmed that the continuing connected transactions:

- (1) have received the approval of the Board;
- (2) are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- (3) have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have not exceeded the cap.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

### PURCHASE, SALE OR REDEMPTION

As the shares of the Company were not yet listed on the GEM as at 31 December 2015, the Company is not required to disclose the details of purchase, sale or redemption of the Shares in accordance with Rule 18.14 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

### DONATIONS

During the year ended 31 December 2015, the Group did not make any donations.

### DIRECTORS' INDEMNITIES

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which such Director shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty in his office. None of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of his office, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

### INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, LY Capital Limited ("**LY Capital**"), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital in 17 March 2015) as at the date of this annual report.



# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 28 of this annual report.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the three years financial summary on page 5 of this annual report.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 29 to the combined financial statements in this annual report.

## AUDITOR

The financial statements for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditor.

By order of the Board  
**Chung Chi Hang, Larry**  
*Chairman*

Hong Kong, 17 March 2016

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF KEEN OCEAN INTERNATIONAL HOLDING LIMITED**

僑洋國際控股有限公司

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

We have audited the consolidated financial statements of Keen Ocean International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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 Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

17 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year Ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Revenue	7	<b>175,573</b>	181,973
Cost of sales		<b>(139,955)</b>	(147,523)
Gross profit		<b>35,618</b>	34,450
Other income	8	<b>552</b>	1,184
Other gains and losses	9	<b>(190)</b>	(360)
Selling and distribution expenses		<b>(4,666)</b>	(4,724)
Administrative expenses		<b>(19,808)</b>	(20,856)
Other expenses	10	<b>(8,179)</b>	(918)
Finance costs	11	<b>(1,644)</b>	(2,572)
Profit before tax	12	<b>1,683</b>	6,204
Income tax expense	13	<b>(2,212)</b>	(1,178)
(Loss) profit and total comprehensive (expense) income for the year		<b>(529)</b>	5,026
(Loss) earnings per share – Basic (HK cents)	16	<b>(0.38)</b>	3.59

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment	17	<b>8,349</b>	9,331
<b>Current Assets</b>			
Inventories	18	<b>25,668</b>	38,453
Trade and other receivables and prepayments	19	<b>33,314</b>	29,422
Amount due from a related party	26	–	2,913
Prepaid income tax		<b>14</b>	12
Pledged bank deposits	20	<b>9,089</b>	11,049
Bank balances and cash	20	<b>10,430</b>	6,652
		<b>78,515</b>	88,501
<b>Current Liabilities</b>			
Trade and other payables and accruals	21	<b>18,837</b>	28,347
Bank borrowings	22	<b>20,777</b>	21,190
Income tax payable		<b>345</b>	438
		<b>39,959</b>	49,975
Net Current Assets		<b>38,556</b>	38,526
Total Assets less Current Liabilities		<b>46,905</b>	47,857
<b>Non-current liabilities</b>			
Bank borrowings	22	<b>408</b>	831
Net Assets		<b>46,497</b>	47,026
<b>Capital and Reserves</b>			
Share capital	23	–	–
Reserves		<b>46,497</b>	47,026
Total Equity		<b>46,497</b>	47,026

The consolidated financial statements on pages 51 to 100 were approved and authorised for issue by the Board of Directors on 17 March 2016 and are signed on its behalf by:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (note)	Special reserve HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	
At 1 January 2014	3,000	–	39,110	(110)	42,000
Profit and total comprehensive income for the year	–	–	5,026	–	5,026
Effect of reorganisation (as defined in Note 1)	(3,000)	3,000	–	–	–
At 31 December 2014	–	3,000	44,136	(110)	47,026
Loss and total comprehensive expense for the year	–	–	(529)	–	(529)
At 31 December 2015	–	3,000	43,607	(110)	46,497

Note: The special reserve represents the difference between the nominal value of shares of Keen Ocean Industrial Limited at the date on which it was acquired by Keen Ocean Electronics Co., Ltd. and the consideration was settled by way of issue of 100 ordinary shares by Keen Ocean Electronics Co., Ltd. to the Company pursuant to the reorganisation.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>1,683</b>	6,204
Adjustments for:		
Depreciation	<b>3,234</b>	2,769
Interest income	<b>(71)</b>	(409)
Finance costs	<b>1,644</b>	2,572
Loss on disposal of property, plant and equipment	–	31
Change in fair value of financial derivative assets	–	659
	<b>6,490</b>	11,826
Operating cash flows before movements in working capital	<b>6,490</b>	11,826
Decrease (increase) in inventories	<b>12,785</b>	(2,982)
Decrease in derivative financial assets	–	1,155
Increase in trade and other receivables and prepayments	<b>(3,892)</b>	(1,930)
(Decrease) increase in trade and other payables and accruals	<b>(9,510)</b>	8,337
	<b>5,873</b>	16,406
Cash generated from operations	<b>5,873</b>	16,406
Income tax paid	<b>(2,307)</b>	(2,699)
	<b>3,566</b>	13,707
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,566</b>	13,707
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>71</b>	409
Acquisition of property, plant and equipment	<b>(2,252)</b>	(1,195)
Proceeds on disposal of property, plant and equipment	–	10
Repayment from related parties	<b>2,913</b>	34,992
Advances to related parties	–	(5,427)
Withdrawal pledged bank deposits	<b>2,022</b>	11,022
Placement of pledged bank deposits	<b>(62)</b>	(9,045)
	<b>2,692</b>	30,766
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2,692</b>	30,766

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Repayment to related parties	–	(14,040)
Advances from related parties	–	5,361
New bank borrowings raised	<b>232,838</b>	244,550
Repayment of bank borrowings	<b>(233,674)</b>	(276,156)
Repayment of loan from a related company	–	(2,065)
Interest paid	<b>(1,644)</b>	(2,572)
	<b>(2,480)</b>	(44,922)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
	<b>3,778</b>	(449)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>6,652</b>	7,101
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash</b>	<b>10,430</b>	6,652



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1. GENERAL INFORMATION AND GROUP REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands on 19 December 2014 and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") with effect from 24 February 2016. The immediate holding company of the Company is Cyber Goodie Limited ("Cyber Goodie"), a limited liability company incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Chung Chi Hang Larry. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 28.

The functional currency of the Company is United States dollars ("US\$") and the presentation currency of the Group is Hong Kong dollars ("HK\$") as the directors of the Company consider that it is easier to monitor the financial performance of the Group.

Pursuant to the group reorganisation ("Reorganisation") with details set out in the section headed "Reorganisation" in the Company's prospectus dated 17 February 2016 ("Prospectus"), the Company became the holding company of the companies now comprising the Group on 23 December 2014. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2014 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2014, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group, where this is a shorter period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

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

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Lease <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012- 2014 Cycle <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

### HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

### HKFRS 9 “Financial Instruments” – continued

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

### HKFRS “15 Revenue from contracts with Customer”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

### HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will not have significant impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the stock exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

The principal accounting policies are set out below.

### Basic of consolidation

The consolidated financial statements incorporates the financial statements of the Group entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Revenue recognition

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

Revenue from the sales of goods is recognised when all the following conditions are satisfied:

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

Revenue from sales of goods are recognised when goods are delivered and title has passed.

### Property, plant and equipment

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Leasing

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

#### *The Company as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Retirement benefit costs

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

### Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Impairment on tangible assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments

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

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

#### *Financial assets*

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

#### Effective interest method

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

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

#### Loans and receivables

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### *Financial assets – continued*

##### Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables which are assessed individually for impairment. Objective evidence of impairment for a receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### Other financial liabilities

Other financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition*

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

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

Financial liabilities are derecognised when and only when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision, if any, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In assessing whether provision is required and if so, the relevant amount of the provision, management uses their best effort to estimate the consideration that may be required to settle the present obligation at the end of the reporting period, taking into account significant assumptions and a number of factors such as the relevant facts and circumstances, legal advice and current enforcement practice of the relevant rules, of which ultimate realisation may be subject to changes. The directors of the Company assesses the need and adequacy of provisions at the end of each reporting period. If expected future cash outflow is different from that as originally estimated, the difference will be recognised in the profit or loss in the period in which the difference occurs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

### Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is HK\$30,376,000 (2014: HK\$28,818,000), net of allowance for doubtful debts of HK\$1,563,000 (2014: HK\$1,563,000). As at 31 December 2015, the carrying amount of amount due from a related party is nil (2014: HK\$2,913,000).

### Estimated allowance for inventories

Included in the consolidated statement of financial position at 31 December 2015 is inventories with a carrying amount of HK\$25,668,000 (2014: HK\$38,453,000). No allowance for inventories has been made in the current year. Management assessed the recoverability of the amount based on an estimation of the net realisable value of the inventories which involves, inter-alia, the analyses of the status of the subsequent sales and the current market price of the inventories. If the actual net realisable values of the inventories are more or less than expected as a result of change in market condition and/or significant technologically change, material reversal of or provision for impairment losses may result.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year ended 31 December 2015.

The capital structure of the Group consists of debt, which include bank borrowings, disclosed in note 22, and equity of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Company will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS

## 6a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>48,947</b>	48,162
<b>Financial liabilities</b>		
Amortised cost	<b>34,431</b>	45,497

## 6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, pledged bank deposits and bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest risk and commodity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The sales of the Group are mainly denominated in US\$. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi, Hong Kong dollars, Euro dollars and British Pound, which exposes the Group to foreign currency risk. The Group currently have no foreign currency hedging policy and management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the reporting period are as follows:

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Renminbi ("RMB")	<b>8,751</b>	9,613	<b>12,470</b>	12,543
HK\$	<b>11,751</b>	15,345	<b>12,482</b>	15,088
British Pound ("GBP")	<b>715</b>	–	<b>332</b>	–
Euro Dollars ("EUR")	<b>18</b>	31	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

*Market risk – continued*

Currency risk – continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in US\$ against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit or decrease in loss whether US\$ strengthen 5% against the relevant currency. For a 5% weakening of US\$ against the relevant currency, there would be an equal and opposite impact on the profit or loss and the balances below would be negative.

In the opinion of the management of the Group, the sensitivity analysis of currency risk exposure of HK\$ is not presented as it is pegged with US\$, the average change in foreign exchange rate will not have significant impact on the profit or loss for the year.

	RMB		GBP		EUR	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Impact	128	146	(16)	–	(1)	(2)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the pledged bank deposits, bank balances and bank borrowings. The directors of the Company consider that the changes in interest rates of bank balances have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for bank balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### *Market risk – continued*

#### Currency risk – continued

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for pledged bank deposits and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would increase/decrease by approximately HK\$51,000 (2014: post-tax profit would decrease/increase by HK\$46,000).

#### *Credit risk*

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counter parties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

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

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are reputable banks in Hong Kong and PRC.

The concentration of credit risk on bank balances and pledged bank deposits is not significant because the funds are deposited in more than five banks with high credit ratings and the individual balances in each bank are not significant to the Group.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### *Credit risk – continued*

Apart from Customer A and Customer D, the key customers of the Group (see note 7), concentration of credit risk to any other counterparty did not exceed 5% of the total current assets of the Group at the end of each reporting period. The Customer A and Customer D are reputable manufacturers in the industry and good repayment history and the concentration of credit risk is not considered as significant to the Group.

#### *Liquidity risk*

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

The Group relies on bank borrowings as significant source of liquidity. The Group has available unutilised trade finance bank facilities of approximately HK\$27,290,000 at 31 December 2015 (31 December 2014: HK\$54,263,000) and bank overdraft facilities of HK\$4,010,000 at 31 December 2015 (31 December 2014: HK\$376,000) respectively. Details of bank borrowings are set out in note 22.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS – continued

## 6b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity risk

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at December 2015 HK\$'000
<b>At 31 December 2015</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	13,246	-	-	13,246	13,246
Bank borrowing – variable rate	4.19	16,472	4,546	420	21,438	21,185
		<b>29,718</b>	<b>4,546</b>	<b>420</b>	<b>34,684</b>	<b>34,431</b>

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at December 2014 HK\$'000
<b>At 31 December 2014</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	23,476	-	-	23,476	23,476
Bank borrowing – variable rate	4.00	21,017	711	882	22,610	22,021
		<b>44,493</b>	<b>711</b>	<b>882</b>	<b>46,086</b>	<b>45,497</b>

## 6c. Fair value measurements

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group's operation is solely derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Company's revenue from its major products is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Sales of transformers	<b>82,618</b>	88,917
Sales of switching mode power supply	<b>8,402</b>	15,865
Sales of electronic parts and products	<b>84,553</b>	77,191
	<b>175,573</b>	181,973

### Geographical information

The Group's operation is located in PRC (country of domicile). Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	<b>Revenue from external customers</b>		<b>Non-current assets</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Hong Kong	<b>42,262</b>	27,370	<b>644</b>	865
PRC	<b>50,451</b>	53,038	<b>7,705</b>	8,466
Europe	<b>51,073</b>	44,320	–	–
United States	<b>21,967</b>	46,392	–	–
Others	<b>9,820</b>	10,853	–	–
	<b>175,573</b>	181,973	<b>8,349</b>	9,331

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 7. REVENUE AND SEGMENT INFORMATION – continued

### Information about major customers

Revenues from customers during the year contributing over 10% of the total revenue of the Group are as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A <sup>1</sup>	<b>20,599</b>	28,914
Customer B <sup>2</sup>	<b>N/A<sup>3</sup></b>	26,465
Customer C <sup>2</sup>	<b>23,898</b>	21,001
Customer D <sup>2</sup>	<b>27,234</b>	N/A <sup>4</sup>

<sup>1</sup> Revenue from sales of transformers

<sup>2</sup> Revenue from sales of electronic parts and components

<sup>3</sup> Customer B did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

<sup>4</sup> Customer D did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2014.

## 8. OTHER INCOME

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income from a related party	–	370
Sales of scrap materials	<b>481</b>	755
Bank interest income	<b>71</b>	39
Compensation received from a supplier	–	5
Forfeiture of customer deposits	–	15
	<b>552</b>	1,184

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 9. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Change in fair value of financial derivatives	–	(659)
Foreign exchange (loss) gain, net	<b>(190)</b>	330
Loss on disposal of property, plant and equipment	–	(31)
	<b>(190)</b>	(360)

## 10. OTHER EXPENSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Professional fee in relation to listing	<b>8,179</b>	913
Others	–	5
	<b>8,179</b>	918

## 11. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings	<b>1,644</b>	2,521
Interest on loan from a related company	–	51
	<b>1,644</b>	2,572



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 12. PROFIT BEFORE TAX

	2015 HK\$'000	2014 HK\$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	800	627
Depreciation of plant and equipment	3,234	2,769
Cost of inventories sold	138,411	145,983
Minimum lease payment paid under operating leases	3,065	3,080
Research and development expenses	634	893
Directors' emoluments		
– Salaries and other benefits	1,190	824
– Retirement benefit contributions	47	32
	<b>1,237</b>	856
Staff salaries and other benefits	<b>32,768</b>	42,943
Staff retirement benefit contributions	<b>3,740</b>	1,979
	<b>36,508</b>	44,922
Total staff costs (including directors' emoluments)	<b>37,745</b>	45,778

*Note:* Historically and during the year ended 31 December 2014, He Yuan Sky Wealth Electronic and Plastic Company Limited ("He Yuan Sky Wealth") failed to promptly make registration of, nor make full contributions to the social insurance plans and the housing provident fund for their employees. The total amount of social insurance payments and housing provident fund contributions that He Yuan Sky Wealth failed to make during the year ended 31 December 2014 were HK\$2.8 million. Starting from December 2014, the Group has made contributions to the social insurance plans and the housing provident fund for all their employees based on the rates agreed with the relevant authorities. For the year ended 31 December 2015, the difference in the social insurance payments and housing provident fund contributions, based on the actual salaries of He Yuan Sky Wealth and the amount of wages agreed with the relevant social insurance authorities, is HK\$0.8 million. The PRC legal advisers advised He Yuan Sky Wealth that it may be subject to a daily late charge of 0.05% in addition to the outstanding social insurance payments, and a fine ranging from 100% to 300% of the total outstanding social insurance payments in addition to such amount underpaid if the outstanding social insurance is still not paid within the time limit stipulated by the relevant social insurance authority. The PRC legal advisers also advised He Yuan Sky Wealth that it may be subject to a fixed fine ranging from RMB10,000 to RMB50,000 in addition to the outstanding housing provident fund contributions underpaid if the employer failed to rectify such non-compliance within a specified period of time. The representative of the Group has visited certain competent officers of the relevant authorities and reported such non-compliant incidents to them. The directors of the Company have, taking into account (i) the results of such visits, and (ii) confirmations from the competent officers of the relevant authorities, and (iii) the relevant facts and circumstances, and (iv) advice sought from the Group's PRC legal advisers, considered that it is not probable for the Company to be requested to pay such outstanding amounts and the relevant fine and penalty, therefore, no provision has been made as at 31 December 2015 and 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 13. INCOME TAX EXPENSE

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	<b>1,430</b>	1,477
PRC Enterprise Income Tax	<b>782</b>	–
	<b>2,212</b>	1,477
Deferred tax	–	(299)
	<b>2,212</b>	1,178

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Profit before tax	<b>1,683</b>	6,204
Tax at Hong Kong Profits Tax rate of 16.5%	<b>278</b>	1,024
Tax effect of expense not deductible for tax purpose	<b>1,647</b>	177
Tax effect of temporary difference not recognised	<b>27</b>	11
Effect of different tax rate of a PRC subsidiary	<b>266</b>	–
Others	<b>(6)</b>	(34)
Income tax expense for the year	<b>2,212</b>	1,178

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiary because the amount is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 13. INCOME TAX EXPENSE – continued

At 31 December 2015, the Group has deductible temporary differences of HK\$2,023,000 (2014: HK\$1,859,000). The temporary differences represented the accrued staff costs which are tax-deductible when the actual payment is made. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

	2015 HK\$'000	2014 HK\$'000
<b>Directors' emoluments</b>		
Directors' fees	–	–
Other emoluments for directors		
– salaries and other allowances	1,190	824
– discretionary performance bonus	–	–
– retirement benefit contributions	47	32
	<b>1,237</b>	856

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

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

	Fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary performance bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2015</b>					
Executive directors:					
Chung Chi Hang Larry	-	325	-	15	340
Chung Tin Shing	-	499	-	18	517
Wong Shek Fai (appointed on 17 March 2015)	-	366	-	14	380
	-	1,190	-	47	1,237

	Fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary performance bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2014</b>					
Executive directors:					
Chung Chi Hang Larry	-	325	-	15	340
Chung Tin Shing	-	499	-	17	516
	-	824	-	32	856

## Notes:

- (1) The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- (2) Mr. Chung Tin Shing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (3) During the year ended 31 December 2015, no emoluments were paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.
- (4) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

### (b) Employees' emoluments

The five highest paid individuals included the three directors (2014: two) for the year ended 31 December 2015, details of whose remuneration is disclosed above. The emoluments of the remaining two (2014: three) highest paid individuals were as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other allowances	<b>750</b>	1,210
Retirement benefit scheme contributions	<b>33</b>	47
	<b>783</b>	1,257

Their emoluments individually were all below HK\$1,000,000.

## 15. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31 December 2015 (2014: nil).

## 16. (LOSS) EARNINGS PER SHARE

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share for the year	<b>(529)</b>	5,026
	<b>'000</b>	'000
Numbers of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<b>140,000</b>	140,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation the capitalisation issue, details of which are set out in notes 23 and 29(a)(ii), had been effective on 1 January 2014.

No diluted (loss) earnings per share for the current and prior year was presented as there were no potential ordinary shares in issue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 January 2014	3,267	9,175	1,669	1,188	15,299
Additions	551	338	306	–	1,195
Eliminated on disposal	–	(56)	–	–	(56)
At 1 January 2015	3,818	9,457	1,975	1,188	16,438
Additions	–	1,145	52	1,055	2,252
At 31 December 2015	3,818	10,602	2,027	2,243	18,690
<b>DEPRECIATION</b>					
At 1 January 2014	1,110	2,141	539	563	4,353
Provided for the year	865	1,363	372	16 9	2,769
Eliminated on disposals	–	(15)	–	–	(15)
At 1 January 2015	1,975	3,489	911	732	7,107
Provided for the year	893	1,727	330	284	3,234
At 31 December 2015	2,868	5,216	1,241	1,016	10,341
<b>CARRYING VALUES</b>					
At 31 December 2015	950	5,386	786	1,227	8,349
At 31 December 2014	1,843	5,968	1,064	456	9,331

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	Over the shorter of term of the lease, or 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 18. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	10,640	15,101
Work in progress	11,855	15,400
Finished goods	3,173	7,952
	<b>25,668</b>	<b>38,453</b>

## 19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade receivables	30,376	28,818
Less: allowance for doubtful debts	(1,563)	(1,563)
	<b>28,813</b>	<b>27,255</b>
Deposits	209	138
Prepayments and deferred listing expenses	3,628	757
Other tax recoverable	49	979
Other receivables	615	293
	<b>33,314</b>	<b>29,422</b>

During the year, the Group discounted certain trade receivables to a bank for cash proceeds. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 22). The carrying amount of the trade receivables at 31 December 2015 that have been transferred but have not been derecognised amounted to HK\$17,972,000 (31 December 2014: HK\$16,681,000) and the carrying amount of the associated liability is HK\$8,995,000 (31 December 2014: HK\$9,620,000).

The Group allows an average credit period of 15 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
0 – 90 days	<b>26,512</b>	24,257
91 – 180 days	<b>2,072</b>	2,742
181 – 365 days	<b>229</b>	256
	<b>28,813</b>	27,255

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. The trade receivables that are neither past due nor impaired have no default payment history.

Included in the trade receivable balance are debtors with aggregate amount of HK\$12,235,000 as at 31 December 2015 (31 December 2014: HK\$13,673,000) which is past due as at the reporting date for which the Company has not provided for impairment loss because the status of subsequent settlement of the debtors is satisfactory. The Company does not hold any collateral over these balances.

## Aging of trade receivables which are past due but not impaired

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
0 – 90 days	<b>9,934</b>	10,675
91 – 180 days	<b>2,072</b>	2,742
181 – 365 days	<b>229</b>	256
	<b>12,235</b>	13,673

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Movement in the allowance for doubtful debts		
At the beginning of the year	<b>1,563</b>	1,563
Allowance for doubtful debts	–	–
At the end of the year	<b>1,563</b>	1,563



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

### Aging of trade receivables which are past due but not impaired – continued

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregate balance of HK\$1,563,000 as at 31 December 2015 and 2014 which have been in severe financial difficulties.

Included in trade and other receivables are the following amounts denominated in currencies other than financial currencies of the respective group entities which they relate:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	<b>1,092</b>	1,764
RMB	<b>3,544</b>	5,094
GBP	<b>625</b>	–

## 20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Company. At 31 December 2015, bank balances of the Company carry interest at market rates from 0.01% to 0.35% (2014: 0.01% to 0.35%) per annum. At 31 December 2015, the pledged bank deposits carry variable interest rate from 0.3% to 1.3% (2014: 0.6% to 1.3%) per annum.

As at the end of the reporting period, the Company have the following pledged bank deposits and bank balances and cash denominated in foreign currencies:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	<b>10,659</b>	13,581
RMB	<b>5,207</b>	1,606
GBP	<b>90</b>	–
EUR	<b>18</b>	31
	<b>15,974</b>	15,218

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Trade payables	<b>13,246</b>	23,476
Accrued expenses	<b>5,225</b>	4,429
Customer deposits	<b>309</b>	347
Other tax payables	<b>57</b>	95
	<b>18,837</b>	28,347

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
0 – 90 days	<b>12,634</b>	22,562
91 – 180 days	<b>208</b>	475
181 – 365 days	<b>300</b>	84
Over one year	<b>104</b>	355
	<b>13,246</b>	23,476

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
HK\$	<b>3,766</b>	9,060
RMB	<b>12,470</b>	12,543

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 22. BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans	2,831	1,231
Trust receipt loans	6,869	8,490
Factoring loans (note 19)	8,995	9,620
Bank overdraft	2,490	2,680
	<b>21,185</b>	22,021
Bank borrowings which are secured by: Assets held by the Group (note 24)	<b>20,354</b>	20,789
Unsecured bank borrowings	<b>831</b>	1,232
	<b>21,185</b>	22,021
The maturity of the above loans is as follows*:		
Within one year	<b>20,777</b>	21,190
More than one year but within two years	<b>408</b>	423
More than two years but within five years	–	408
	<b>21,185</b>	22,021
Less: amount due within one year shown under current liabilities	<b>(20,777)</b>	(21,190)
Amount shown under non-current liabilities	<b>408</b>	831

\* The amounts due are based on scheduled repayment date set out in the loan agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 22. BANK BORROWINGS – continued

Included in bank borrowings are the following amounts denominated in a currency other than the functional currency of the corresponding group entity which it relates:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	<b>8,716</b>	6,028
GBP	<b>332</b>	–

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 December 2015 and 2014, respectively, are as follows:

	<b>2015</b>	2014
Effective interest rates (per annum):		
Variable-rate borrowings	<b>3.25% – 6.75%</b>	2.69% – 6.75%

Details of the pledge of assets of the Company and guarantees provided by the related parties are set out in notes 24 and 26, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
On date of incorporation or at 31 December 2014 and 2015 ( <i>note a</i> )	38,000,000	380,000
Issued:		
1 share allotted and issued, on the date of incorporation ( <i>note b</i> )	1	0.01
Issue of 9,999 shares upon Reorganisation on 19 December 2014 ( <i>note c</i> )	9,999	99.99
At 31 December 2014 and 2015	10,000	100
Shown in the consolidated financial statements (HK\$'000)		–

## Notes:

- (a) The Company was incorporated in the Cayman Islands on 19 December 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 19 December 2014, 1 share of HK\$0.01 each were issued to the shareholders at par to provide the initial capital to the Company.
- (c) On 19 December 2014, the Company issued 8,999 shares and 1,000 shares to Cyber Goodie and Mr. Chung Tin Shing respectively for the Reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 24. PLEDGE OF ASSETS

The following assets of the Company were pledged at end of the reporting period for certain banking facilities granted to the Company:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Pledged bank deposits	<b>9,089</b>	11,049
Trade receivables	<b>17,972</b>	16,681
	<b>27,061</b>	27,730

## 25. OPERATING LEASES

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>3,005</b>	3,069
In the second to fifth year inclusive	–	3,005
	<b>3,005</b>	6,074

Operating lease payments represent rentals payable by the Company for its office. Leases are negotiated for an average term of 1 to 5 years and rentals are fixed for the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 26. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Names of and the relationship with related parties are as follows:

<b>Name</b>	<b>Relationship</b>
	<i>Notes</i>
Chung Chi Hang Larry	(i)
Chung Tin Shing	(i)
Chung Chi Wah	(ii)
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.	(iii)
Yield Speed Ltd.	(iii)
Update Industrial Ltd.	(iii)
Kammi Home Appliance Company Ltd.	(iv)
Berich Financial Services Limited	(iv)

*Notes:*

- (i) Mr. Chung Chi Hang Larry is the ultimate controlling shareholder and a director of the Company. Mr. Chung Tin Shing is a non-controlling shareholder of an intermediate holding company and a director of the Company.
- (ii) Mr. Chung Chi Wah is close family member of Mr. Chung Chi Hang Larry.
- (iii) The beneficial owner of the company is Mr. Chung Chi Hang Larry.
- (iv) The ultimate controlling shareholder of the company is a close family member of Mr. Chung Chi Hang Larry.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 26. RELATED PARTY TRANSACTIONS AND BALANCES – continued

- (b) The Company had the following balances with related parties at the end of the reporting period:

	<b>2015</b>	2014	<b>Maximum</b>	2014
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>balance outstanding</b>	<i>HK\$'000</i>
			<b>2015</b>	
			<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Amounts due from related parties:</b>				
Chung Chi Hang Larry	–	–	–	14,740
Chung Tin Shing	–	–	–	13
Kammi Home Appliance Company Ltd.	–	–	–	161
Yield Speed Ltd.	–	–	–	19,089
Update Industrial Ltd.	–	–	–	10
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.	–	2,913	<b>2,913</b>	3,781
	–	2,913		

The amount due from T-Lab Electronics & Plastics (He Yuan) Co., Ltd. at 31 December 2014 was unsecured, interest-free, repayable on demand and has been fully settled in March 2015.

- (c) The Company entered into the following transactions with related parties during the year:

	<b>2015</b>	2014
	<b>HK\$'000</b>	<i>HK\$'000</i>
Rental paid to a related company		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<b>1,877</b>	1,863
Interest paid to a related company		
Berich Financial Services Limited	–	51
Interest income from a related party		
Chung Chi Hang Larry	–	370

The lease of the factory premises from T-Lab Electronics & Plastics (He Yuan) Co., Ltd. constitutes a non-exempt continuing connected transaction under the GEM Listing Rules.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 26. RELATED PARTY TRANSACTIONS AND BALANCES – continued

- (c) The Company entered into the following transactions with related parties during the year: – continued

Guarantees provided by related parties in respect of banking facilities granted to the Company:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
– Chung Chi Hang Larry, Chung Tin Shing, Chung Chi Wah (joint guarantee)	<b>16,209</b>	17,236
– Chung Chi Hang Larry, Chung Tin Shing, (joint guarantee)	<b>4,976</b>	–

- (d) Compensation of key management personal:

The remuneration of directors and other members of key management during the year was as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Salaries and other benefits	<b>1,859</b>	1,218
Retirement benefit contributions	<b>78</b>	54
	<b>1,937</b>	1,272

The remuneration of directors and key management is determined by the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

**27. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

Information about the statement of financial position of the Company at the end of the reporting period includes:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investment in a subsidiary	<b>1</b>	1
	<b>1</b>	1
<b>CURRENT ASSETS</b>		
Other receivables and prepayments	<b>3,312</b>	304
	<b>3,312</b>	304
<b>CURRENT LIABILITIES</b>		
Other payables	<b>2,572</b>	–
Amount due to a subsidiary	<b>9,835</b>	1,218
	<b>12,407</b>	1,218
<b>NET CURRENT LIABILITIES</b>	<b>(9,095)</b>	(914)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>(9,094)</b>	(913)
<b>CAPITAL AND RESERVES</b>		
Share capital	–	–
Accumulated losses	<b>(9,094)</b>	(913)
	<b>(9,094)</b>	(913)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 27. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Movement of capital and reserves:

	<b>Share capital</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 19 December 2014	–	–	–
Loss and total comprehensive expense for the year	–	(913)	(913)
At 31 December 2014	–	(913)	(913)
Loss and total comprehensive expense for the year	–	(8,181)	(8,181)
At 31 December 2015	–	(9,094)	(9,094)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2015 and 2014	Principal activities	Legal form
Keen Ocean Electronics Co., Ltd. ("Keen Ocean Electronics")	BVI 5 December 2014	US\$200	100%	Investment holding	Limited liability company
Keen Ocean Industrial Limited	Hong Kong 17 May 2000	HK\$3,000,000	100%	Trading of transformers, switching mode power supply, electronic parts and components	Limited liability company
He Yuan Sky Wealth 河源天裕電子塑膠有限公司 (note)	The PRC 24 November 2010	US\$3,500,000	100%	Manufacture and trading of transformers, switching mode power supply, electronic parts and components	Limited liability company
T-Lab Industrial (Holdings) Ltd.	Hong Kong 15 August 1996	HK\$6	100%	Inactive	Limited liability company

Note: He Yuan Sky Wealth is a wholly foreign owned enterprise with limited liability. The English translation name is for identification only.

Except for Keen Ocean Electronics, all of the above subsidiaries are indirectly held by the Company. All companies now comprising the Group have adopted 31 December as their financial year end date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 29. EVENTS AFTER THE REPORTING PERIOD

- (a) On 2 February 2016, written resolutions of all the shareholders of the Company were passed to approve:
- (i) the increase in authorised share capital of the Company from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 new shares of HK\$0.01 each;
  - (ii) conditional upon the share premium account of the Company being credited as a result of the placing of the Company's shares, the directors of the Company were authorized to capitalise the amount of approximately HK\$1,400,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 139,990,000 share for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 2 February 2016, in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company.
- (b) A share option scheme was conditionally adopted on 2 February 2016 and the principal terms of the share option scheme are set out in Appendix VI to the Prospectus. Up to the date of this report, no share option is granted.
- (c) On 24 February 2016, 60,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.55 by way of placement. On the same date, the Company's shares were listed on the GEM. The proceeds of HK\$600,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK\$32,400,000, before issuing expenses, were credited to share premium account.

Save as aforesaid, no other significant events took place subsequent to 31 December 2015.