CircuTech International Holdings Limited
訊智海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8051)

Annual Report 2017

CHARACTERISTICS OF 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors of CircuTech International Holdings Limited 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 CircuTech International Holdings Limited. 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.*

CONTENTS

CORPORATE INFORMATION

as at the date of this report

BOARD OF DIRECTORS

Executive Directors

Dr. Woo Kwok Fai Louis
(Chairman and Chief Executive Officer)
Mr. Chin Yin-Shen
Ms. Chen Ching-Hsuan
Mr. Cheng Michael Ichiang
(Chief Financial Officer)

Non-executive Director

Mr. Hong Sung-Tai

Independent Non-executive Directors

Mr. Li Robin Kit Ling
Mr. Yeung Wai Hung Peter
Mr. Miao Benny Hua-ben

AUDIT COMMITTEE

Mr. Li Robin Kit Ling *(Chairman)*
Mr. Yeung Wai Hung Peter
Mr. Miao Benny Hua-ben

REMUNERATION COMMITTEE

Mr. Yeung Wai Hung Peter *(Chairman)*
Dr. Woo Kwok Fai Louis
Mr. Cheng Michael Ichiang
Mr. Li Robin Kit Ling
Mr. Miao Benny Hua-ben

NOMINATION COMMITTEE

Mr. Miao Benny Hua-ben *(Chairman)*
Mr. Cheng Michael Ichiang
Mr. Yeung Wai Hung Peter
Mr. Li Robin Kit Ling

JOINT COMPANY SECRETARIES

Mr. Tam Hoi Kwong
Ms. Wong Sau Ping

AUTHORISED REPRESENTATIVES

Dr. Woo Kwok Fai Louis
Mr. Cheng Michael Ichiang

COMPLIANCE OFFICER

Dr. Woo Kwok Fai Louis

CORPORATE INFORMATION

as at the date of this report

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Citibank N.A.
21/F, Tower 1
The Gateway
Harbour City
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Messrs PricewaterhouseCoopers
22/F, Prince Building
Central
Hong Kong

LEGAL ADVISOR

Iu, Lai & Li Solicitors
Rooms 2201, 2201A & 2202, 22nd Floor
Tower I, Admiralty Centre
No.18 Harcourt Road, Hong Kong

COMPANY WEBSITE

www.circutech.com

STOCK CODE

8051

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CircuTech International Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I hereby present to our shareholders (the "**Shareholders**") the annual report of the Group for the year ended 31 December 2017.

BUSINESS REVIEW

We addressed the commoditisation of the video surveillance systems, driven by the severe competition from large global vendors that resulted in substantial pressure on our sales and margin, by broadening our products offering through introduction of third party IT products distributed through our well established distributors network covering the North America, Asia Pacific, Europe, the Middle East and Africa. The sales and distribution of third party IT products commenced in the second quarter of 2017. The Group's revenue amounted to approximately HK$99.0 million, representing an approximately tenfold increase as compared to the six months ended 31 December 2016. The Group recorded a significant decrease in gross profit margin from 39.8% to 8.2% which was mainly due to the inclusion of the third party IT products and the discount offered to deepen and broaden our customer base on introduction of the third party IT products. During the year, the Group continuously rationalised its operations, and the administrative expenses at HK$16.6 million is 7.0% below the run rate for the six months ended 31 December 2016.

OUTLOOK

Building upon the foundation and experience gained in 2017, the outlook for our distribution business is encouraging as our international network is now much better able to connect customers to opportunities and delivering revenue growth. The Group will continue to strive for a reasonable profit margin under the keen competitive market of IT products. Moreover, we are planning to further strengthen our distribution business and expand the repairs & service support business over the coming quarters.

The video surveillance system product business continues to face challenges; and the Group is committed to continuously develop new technologies for targeted market segments in order to deepen relationships with our customers and partners thus improving profitability.

As previously reported, we are continuously strengthening our management team, expanding our international footprint and pursuing new customers: and we anticipate additional fundraising may from time to time be required to support the working capital expenditure for such business growth. This entails procurement of finished goods and parts inventories, investment in expanding and revamping overseas organisation structure, and potential business acquisition by means of stock and/or cash purchases if it is deemed to strategically enhance our capabilities. We expect a series of intense strategy execution in the coming financial year, with a dedicated objective to deliver returns to the Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our Shareholders and business partners for their continuous support, and to my fellow Directors, our management and all our staff members for their work. Looking ahead, I will be dedicated to leading the Board to continue the rejuvenation journey in this coming financial year, and we appreciate your continuous support.

Dr. Woo Kwok Fai Louis
Chairman
Hong Kong, 9 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, the Group reported a turnover of approximately HK$98,966,000 (six months ended 31 December 2016: HK$9,530,000) and loss attributable to the owners of the Company of approximately HK$13,210,000 (six months ended 31 December 2016: HK$7,517,000). The Group continued to execute stringent cost controls. Total operating expenses of the Group, including selling and distribution costs, administrative expenses and research and development expenditures amounted to HK$21,619,000 (six months ended 31 December 2016: HK$11,583,000).

BUSINESS REVIEW

For the year ended 31 December 2017, the Group's total revenue amounted to approximately HK$99.0 million, representing an approximately tenfold increase as compared to the six months ended 31 December 2016. The Group recorded a significant decrease in gross profit margin from 39.8% to 8.2% which was mainly due to the inclusion of third party IT products and related discounts offered to deepen and broaden our customer base on introduction of the third party IT products. Majority of the Group's income was attributable to sales and distribution of IT products for the year/period ended 31 December 2017 and 2016. During the year, the Group continuously rationalised its operations, and the administrative expenses of HK$16.6 million is 7.0% below the run rate for the six months ended 31 December 2016.

SEGMENT INFORMATION

Segment information by business line

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Sales and distribution of IT products	**98,950**	9,508
Repairs and service support	**16**	22
	98,966	9,530

During the financial year, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for HK$98,950,000. Revenue from sales and distribution of IT products consists of video surveillance products carrying our own brand name and third-party IT products. Such revenue is mainly driven by the volume of goods, type of products and geographical location of the products, among other factors.

Majority of the repairs and services support revenue was generated from the supporting services for video surveillance products carrying our own brand name. The Group intends to expand its service support business by sourcing spare parts of electronic products for its target customers, which included renowned IT brands and their service centers.

Segment information by geographical location

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
North America	**50,634**	19
Europe	**27,624**	1,849
Asia	**19,100**	6,374
Africa	**1,502**	1,196
Other	**106**	92
	98,966	9,530

During the financial year, the North America market overtook Asia and contributed approximately 51.2% (six months ended 31 December 2016: 0.2%) of the Group's revenue. Europe continued to be the second large market of the Group which contributed approximately 27.9% (six months ended 31 December 2016: 19.4%) of the Group's revenue. Asia contributed approximately 19.3% (six months ended 31 December 2016: 66.9%) of the Group's revenue. The change in the composition of the revenue was due to the change of product mix by augmented product offerings of the Group.

PRODUCT DEVELOPMENT

Having encountered numerous challenges in the past few years, the Group remains committed to its existing video surveillance business. To combat the tough market conditions, the Group had launched several solution plans, including pictureMAX solution, eventMAX solution, bandwidthMAX solution and time MAX solution, to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market.

In the meantime, building upon the foundation and experience of the management team in international distribution, we have entered into a non-exclusive distribution agreement with a consumer electronics, computer software and online services brand to distribute hardware in multi-jurisdictions that are complementary to its current business offering.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, administrative expenses amounted to approximately HK$16,579,000 (six months ended 31 December 2016: HK$8,916,000). The Group continuously rationalised its operations and the administrative expenses is 7.0% below the run rate for the six months ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

With the international IT products distribution and fulfilment support infrastructure that the Group has built up over the years, the Directors believe that there are still plenty of room for the growth of business. The Group intends to further strengthen the distribution business and expand the fulfilment support of IT products over the coming quarters, in the meantime, continues to endeavor in striving a reasonable profit margin for the distribution business. The Group will also review and put effort to enhance overall operational efficiency, adjust the Group's business portfolio and strategies to match our strengths with market demand, and capture the right growth opportunities to enhance Shareholders' return.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (six months ended 31 December 2016: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2017, the Group employed 23 (31 December 2016: 22) full time employees in Hong Kong and 8 (31 December 2016: 6) full time employees in the People's Republic of China and overseas offices. The staff costs of the Group, including directors' emoluments, employees' salaries, retirement benefits schemes contributions and other benefits amounted to approximately HK$10,690,000 (six months ended 31 December 2016: HK$4,253,000).

Employees are remunerated in accordance with individual's responsibility and performance, also taking into account the prevailing market rates to ensure competitiveness. Other fringe benefits such as medical insurance, retirement benefits and discretionary bonus are offered to all employees.

A share option scheme had been approved and adopted at the annual general meeting of the Company on 11 November 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the financial year, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017 (the "**Rights Issue**"). As at 31 December 2017, the Group had net current assets of approximately HK$136,268,000 (31 December 2016: HK$50,780,000) and cash and cash equivalents amounted to approximately HK$86,067,000 (31 December 2016: HK$49,460,000), mainly attributing to net proceeds from the Rights Issue. The Group had no borrowings outstanding as at 31 December 2017.

As at 31 December 2017, the gearing ratio, which is calculating on the basis of total borrowings over total equity of the Group, was 0% (31 December 2016: 0%).

CAPITAL STRUCTURE

As at 31 December 2017, the Company had an authorised share capital of HK$80,000,000 divided into 400,000,000 shares of a par value of HK$0.20 each, of which 23,433,783 shares were in issue. No convertible securities options, warrants or similar rights by the Company or its subsidiaries were outstanding during the year.

The Group did not have any borrowings during the year ended 31 December 2017.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investments during the year ended 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2017.

CHARGE OF ASSETS

As at 31 December 2017, a bank deposit of US$2,000,000 (equivalent to approximately HK$15,607,000) was pledged to a bank for the bank facility amounting to US$4,000,000 (equivalent to approximately HK$31,213,000) granted to the Group (31 December 2016: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from Rights Issue" of this report, to continue executing its investment plan of augmenting its international distribution and fulfilment capabilities, the Group may, depending on circumstances and market conditions, consider the need for fundraising and/or financing from time to time in order to strengthen its human resources, plant and equipment and working capital. This will enable the Group to not only serve the distribution and fulfilment requirements of its own products, but also acquire the capabilities to support strategic third-party equipment manufacturing partners with innovative revenue models with a view to delivering enhanced value to Shareholders.

In addition, to accelerate the Group's capabilities to offer innovative revenue models in relation to IT hardware distribution and fulfilment support, the Board may contemplate selective strategic investments by means of stock and/or cash when suitable opportunities arise.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the financial year, the Group's transactions were substantially denominated in either Hong Kong dollars, United States dollars, Euros or British pounds. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2017 (six months ended 31 December 2016: Nil).

CONTINGENT LIABILITIES

As of 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 23 June 2017.

USE OF PROCEEDS FROM RIGHTS ISSUE

The Group completed the Rights Issue on 20 October 2017 resulting in net proceeds of approximately HK$98,428,000. Details of the use of proceeds are as follows:

– approximately HK$57,628,000 for facilitating the expansion of the Group's existing repairs and service support business;

– approximately HK$23,000,000 for facilitating the development of the Group's existing IT products trading business through sourcing used renowned branded products for sales and distribution; and

– approximately HK$17,800,000 for strategic investment in the business segment of "circular economy", which relates to the technology of recycling and transforming used technology products and materials.

Up to 31 December 2017, an accumulated amount of approximately HK$795,000 has been applied to facilitating the expansion of the Group's existing repairs and service support business. Certain oversea entities and offices have been incorporated and set up. The Group is also strengthening its IT system in meeting the rapid development of the repairs and service support business.

Up to 31 December 2017, the proceeds of HK$23,000,000 for facilitating the development of the Group's existing IT products trading business were fully utilised.

Regarding the strategic investment in the business segment of "circular economy", the Group has identified one potential investment opportunity and started the negotiation process. As at the date of this annual report, no definitive agreement has been made.

The Directors considered that the net proceeds were applied in accordance with the intended uses as previously disclosed.

EXECUTIVE DIRECTORS

Dr. Woo Kwok Fai Louis（胡國輝）("**Dr. Woo**"), aged 70, was appointed as an executive Director on 10 June 2016 and chief executive officer and chairman of the Company on 27 June 2016. He is also the compliance officer of the Company. He is currently the Special Assistant to the Chief Executive Officer of Hon Hai Precision Industry Co., Ltd. ("Hon Hai", the holding company of Foxconn (Far East) Limited, a controlling Shareholder of the Company) and the Head of its Channel Business Group. He is also the Chairman of NCIH Holdings Limited, a member of Hon Hai. Dr. Woo has held senior management positions at various companies, including but not limited to Lernout & Hauspie and AsiaWorks Pte Ltd. Dr. Woo is a 12-year Apple Inc. veteran. Dr. Woo holds BSc, MSc, and PhD degrees from Stanford University.

Mr. Chin Yin-Shen（靳應生）("**Mr. Chin**"), aged 60, was appointed as an executive Director on 23 October 2017. Mr. Chin is the Deputy General Manager of New PCEBG, a business group within Hon Hai. He previously served various multinational corporations including Fu Hua Asset Management Limited, Zhen Ding Technology Holdings Limited, CMMSG, a business group within Hon Hai, Transcend Information Inc. and Delta Electronics Inc.. Mr. Chin has substantial experience in marketing and manufacturing management. Mr. Chin holds a bachelor degree in National Chiao Tung University.

Ms. Chen Ching-Hsuan（陳靜洵）("**Ms. Chen**"), aged 55, was appointed as an executive Director on 10 June 2016. She is a senior director of Hon Hai and the Head of its Global Service Solutions Division. She was previously a manager in Foxconn Assembly LLC. during 2003 and 2007, where she was responsible for cost management for the Global Service Solutions Division in Houston Site. Ms. Chen worked in Intoka Software, Inc. as a software developer from 1997 to 2001 where she was primarily responsible for developing software resources management systems. Ms. Chen was previously a researcher in the Department of Meteorology in the University of Utah between 1995 to 1996 and an associate researcher at the Central Weather Bureau in Taiwan from 1987 to 1992. Ms. Chen obtained a postgraduate degree in Atmospheric Sciences from National Taiwan University in 1987.

Mr. Cheng Michael Ichiang（鄭益強）("**Mr. Cheng**"), aged 64, was appointed as an executive Director on 9 February 2017. He is the Chief Financial Officer of the Company. Mr. Cheng has a bachelor of science degree in Mechanical Engineering from University College, University of London, the United Kingdom. Mr. Cheng was admitted as an associate of the Institute of Chartered Accountants in England and Wales in 1980 and an associate member of the Institute of Chartered Accountants of British Columbia in 1984. Since serving as an accounting trainee in 1974, Mr. Cheng has over four decades of experience in accounting, finance and business development. Mr. Cheng served in international banks and technology enterprises including Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, Palm, Inc. and Apple Inc..

NON-EXECUTIVE DIRECTOR

Mr. Hong Sung-Tai (洪松泰) ("**Mr. Hong**"), aged 62, was appointed as a non-executive Director on 23 October 2017. Mr. Hong is the Chief Financial Officer of New PCEBG, a business group of Hon Hai and the supervisor of HONGFUJIN Precision Industry (Wuhan) Co. Ltd., a subsidiary of Hon Hai. Mr. Hong was previously a senior financial director in Philips group during 1979 and 2003, where he was responsible for finance and accounting for the administration division of the aforesaid company in Chungli, Taiwan. Mr. Hong holds a master's degree in the Department of EMBA in the National Cheng-Chi University of Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Hung Peter (楊偉雄) ("**Mr. Yeung**"), aged 60, was appointed as an independent non-executive Director on 10 June 2016. He has served as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 0145), a company listed on the Main Board of the Stock Exchange, since February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 27 years and a partner of Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries. Mr. Yeung is currently also an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on GEM.

Mr. Li, Robin Kit Ling (李傑靈) ("**Mr. Li**"), aged 59, was appointed as an independent non-executive Director on 1 December 2017. Mr. Li holds a degree of Bachelor of Commerce from the University of British Columbia, Canada and a degree of Master of Business Administration from the University of Strathclyde, Scotland. Mr. Li is a member of the Chartered Professional Accountants of British Columbia. Mr. Li has extensive experience in accounting and financial management. He had held senior positions in accounting and finance in large corporations and multinationals, including Towona Media Holding Company Limited, News Corporation Limited, Pepsi-Cola International, and Apple Computer International Limited. Mr. Li also worked as a lecturer in several accounting programmes of HKU School of Professional and Continuing Education, and a part-time lecturer at FTMS Training Systems (HK) Ltd for the preparatory ACCA examination courses.

Mr. Miao Benny Hua-ben (苗華本) ("**Mr. Miao**"), aged 43, was appointed as an independent non-executive Director on 27 June 2016. He is currently the managing director and Head of Corporate Finance at the Hong Kong Branch of Cathay United Bank and is responsible for its international investment banking business. Mr. Miao was formerly a Senior Portfolio Manager with the Dutch pension asset manager APG Asset Management Asia and was responsible for originating, structuring and executing direct and fund investments in Asia-Pacific. Prior to that, Mr. Miao was an investment director with the China-ASEAN Fund where he was involved in originating, structuring and executing direct private equity investments in the ASEAN region. He also worked previously as a Vice President at Citigroup within its Investment Banking and Fixed Income divisions in New York, Australia and Hong Kong. Mr. Miao has a Bachelor of Science degree in Finance from California State Polytechnic University – Pomona, and an MBA from Pennsylvania State University. He is also a Chartered Financial Analyst.

JOINT COMPANY SECRETARIES

Mr. Tam Hoi Kwong (譚凱光) (“**Mr. Tam**”), aged 30, is the financial controller of the Group since May 2017. He is primarily responsible for financial reporting, financial control matters, and corporate secretarial matters of the Group. Mr. Tam has more than seven years of experience in accounting and auditing fields in Hong Kong since 2010. Prior to joining the Group, he worked in a managerial grade position in the assurance department of an international accounting firm. Mr. Tam obtained a Bachelor's Degree in Commerce from University of New South Wales, Australia, in August 2010. He is a member of the Hong Kong Institute of Certified Public Accountants since April 2014.

Ms. Wong Sau Ping (黃秀萍) (“**Ms. Wong**”) is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has over 15 years of experience in company secretarial field. Ms. Wong is currently a senior manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider).

SENIOR MANAGEMENT

Mr. Ho Ka Ho (何家豪) (“**Mr. Ho**”), aged 46, is the chief executive officer of the video surveillance business line. Mr. Ho has over 23 years of experience in computer architecture, software engineering and digital signal processing. Mr. Ho obtained his bachelor of engineering degree in computer engineering with first class honours and master of science degree in electronic engineering from the City University of Hong Kong.

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 10 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2017 by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statements of comprehensive income on page 44.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2017 amounted to HK$15,000 (2016: Nil).

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2017 are set out in Note 20 to the consolidated financial statements.

SHARE CONSOLIDATION

In order to attract a wider spread of funds and institutional investors with a view to support the on-going and long term development of the Company, the Board implemented a share consolidation involving the consolidation of every fifty shares of HK$0.004 each in the then issued and unissued share capital of the Company into one consolidated share of HK$0.20 each (the "**Consolidated Share**") in the issued and unissued share capital of the Company (the "**Share Consolidation**"). The Share Consolidation was approved by the shareholders of the Company by way of an ordinary resolution at an extraordinary general meeting of the Company held on 3 February 2017, hence has become effective from 6 February 2017. Following the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange has changed from 10,000 shares with a par value of HK$0.004 each to 200 Consolidated Shares with a par value of HK$0.20 each. For details of the Share Consolidation, please refer to the Company's announcements dated 28 December 2016 and 3 February 2017 and its circular dated 13 January 2017, respectively.

RIGHTS ISSUE

On 4 September 2017, the Company proposed to issue 6,695,366 rights shares ("**Rights Share(s)**") at the subscription price of HK$15.0 per Rights Share on the basis of two Rights Share for every five existing shares.

The Board believed that it was in the best interests of the Company and its Shareholders to strengthen the capital base of the Company through the Rights Issue as it provided the Shareholders with an opportunity to maintain their respective pro rata shareholding interests in the Company while supporting the Group's development and expansion of its business. The Rights Issue was completed on 20 October 2017.

For the utilisation of the net proceeds raised from the Rights Issue, please refer to the section headed "USE OF PROCEEDS FROM RIGHTS ISSUE" in the Management, Discussion & Analysis section.

EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2017 or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2017 comprise of share premium, and accumulated loss in aggregate amounted to HK$136,217,000 (2016: HK$45,924,000) provided that, after distribution, the Company will be able to pay its debts as they fall due in its ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTION SCHEME

The Company adopted a share option scheme in the annual general meeting held on 11 November 2016. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for such number of shares as it may determine in accordance with the terms of the share option scheme.

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

The total number of shares issued and to be issued upon the exercise of options granted to any participant (including both exercised and outstanding options) under the share option scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if such grantee is a connected person) abstaining from voting.

The amount payable by the grantee of an option to the Company on acceptance of an offer for the grant of option(s) is HK$1.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The share option scheme will remain in force for a period of 10 years commencing on the date of its adoption on 11 November 2016 and will expire at the close of business on 10 November 2026. Under the said scheme and following the Share Consolidation, the maximum number of shares of the Company that may be issued upon the exercise of options that may be granted is 1,673,841 shares, representing approximately 7.1% of the issued share capital of the Company as at the date of this report. Details of the share option scheme of the Company are set out in Note 23 to the consolidated financial statements. No share options were granted under the share option scheme since its adoption.

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors

Dr. Woo Kwok Fai Louis	*(Chairman and Chief Executive Officer)*
Mr. Chin Yin-Shen	(appointed on 23 October 2017)
Ms. Chen Ching-Hsuan	
Mr. Cheng Michael Ichiang	(appointed on 9 February 2017)
Mr. Hui Lap Shun	(resigned on 23 October 2017)
Mr. Chien Yi-Pin	(resigned on 23 October 2017)
Mr. Chen Haining	(retired on 10 May 2017)

Non-executive Directors

Mr. Hong Sung-Tai	(appointed on 23 October 2017)
Mr. Tse Tik Yang Denis	(resigned on 9 February 2017)

Independent Non-executive Directors

Mr. Yeung Wai Hung Peter	
Mr. Li Robin Kit Ling	(appointed on 1 December 2017)
Mr. Miao Benny Hua-ben	
Ms. Wu Yi Shuan	(resigned on 1 December 2017)

Mr. Hui Lap Shun and Mr. Chien Yi-Pin resigned on 23 October 2017 as executive Directors. Mr. Tse Tik Yang Denis resigned on 9 February 2017 as non-executive Director. Mr. Chen Haining retired on 10 May 2017 as executive Director and Ms. Wu Yi Shuan resigned on 1 December 2017 as independent non-executive Director. All of them confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders of the Company.

Mr. Cheng Michael Ichiang is executive Director and was appointed for a one year term expiring on 8 February 2018. The appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Mr. Chin Yin-Shen and Mr. Hong Sung-Tai is executive Director and non-executive Director, respectively. They were appointed for a one-year term expiring on 22 October 2018. The appointments are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Mr. Li Robin Kit Ling is independent non-executive Director and was appointed for a one-year term expiring on 30 November 2018. The appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

In accordance with Article 86(3) of the articles of association of the Company, Mr. Chin Yin-Shen, Mr. Hong Sung-Tai and Mr. Li Robin Kit Ling who were appointed by the Board to fill casual vacancies shall be subject to re-election by the Shareholders at the forthcoming annual general meeting of the Company.

In addition, Ms. Chen Ching-Hsuan will retire from office as a Director in accordance with Article 87(1) of the articles of association. She, being eligible, offers herself for re-election pursuant to Article 87(2) of the articles of association.

DIRECTORS' LETTERS OF APPOINTMENT

All the Directors have entered into letters of appointment with the Company for an initial term of one year and should continue thereafter unless and until terminated by either party by giving to the other not less than one month's notice in writing.

DIRECTOR'S SERVICE CONTRACTS

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

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

Other than the related party transaction disclosed in Note 31(b) to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at anytime during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time for the year ended 31 December 2017 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 11 to 12 of this report.

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

Long position in Shares as at 31 December 2017

Name of Shareholders	Capacity	Number of shares held/ interested	Percentage of the issued share capital of the Company (approximate)
Foxconn (Far East) Limited	Beneficial owner	11,853,524	50.58%
Hon Hai Precision Industry Co., Ltd.	Interest in controlled corporation	11,853,524	50.58%

Note:

Foxconn (Far East) Limited is a wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 2317.TW). Hon Hai Precision Industry Co., Ltd. is deemed to be interested in the shares of the Company held by Foxconn (Far East) Limited under the SFO.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares and the underlying shares of the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest supplier	79.46%
– five largest suppliers in aggregate	97.43%
Sales	
– the largest customer	25.47%
– five largest customers in aggregate	77.35%

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

CONNECTED TRANSACTIONS

The following transactions between a connected party and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 20 of the GEM Listing Rules.

Continuing connected transactions

Reference is made to the announcement of the Company dated 13 December 2017, 5 January 2018 and 31 January 2018. On 13 December 2017, CircuTech, Inc., a subsidiary of the Company, has entered into a framework agreement with Consumer Electronics Exchange, LLC (the "**Framework Agreement**"), in relation to the sales and purchase of authorised IT products. The authorised IT products includes: (i) IT hardware and software products manufactured, distributed, sold or licensed under a renowned brand name; and (ii) IT hardware that has been refurbished by CircuTech, Inc. and carries the after-sales service warranty of CircuTech Inc.. Consumer Electronics Exchange, LLC is an associate of Hon Hai Precision Industry Co., Ltd. and Hon Hai Precision Industry Co., Ltd. is the controlling shareholder of the Company.

The proposed annual caps in respect of the transactions contemplated under the Framework Agreement for the years ended 31 December 2018, 2019 and 2020 will be US$23,000,000 (equivalent to approximately HK$178,250,000), US$26,500,000 (equivalent to approximately HK$205,375,000) and US$30,500,000 (equivalent to approximately HK$236,375,000), respectively. The transactions contemplated thereunder and the relevant annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in the relevant announcement dated 13 December 2017 and the relevant circular dated 26 February 2018.

The aforesaid continuing connected transaction has been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

An extraordinary general meeting will be convened on 19 March 2018 to consider, and if thought fit, to approve the Framework Agreement and the transactions contemplated thereunder.

SIGNIFICANT CONTRACTS

Save as disclosed under the section "Connected Transactions" of this report, there was no contract of significance between the Company or one of its subsidiaries on one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or for the year ended 31 December 2017. There was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

Please refer to the circular of the Company dated 27 February 2018 for further details.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules, with reference to which, the Company considers all the independent non-executive Directors to be independent.

EMOLUMENT POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

COMPETING BUSINESS

For the year ended 31 December 2017, none of the Directors, controlling shareholder or their respective close associates (as defined in the GEM Listing Rules) has any interests in a business that competes or is likely to compete either directly or indirectly with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 23 to 32.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the existing directors of the Company is currently in force and was in force throughout this year.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Green initiatives and measures including recycling of resources, energy saving and eco-friendly management practice, have been adopted in the daily operation of the Group. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection for the year ended 31 December 2017.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2017.

Relationship with Employees, Suppliers, Customers and Other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

OTHER EVENTS

Change of Principal Place of Business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 23 June 2017.

Change of Accounting Period End

As announced on 30 September 2016, the Company changed its financial year end date from 30 June to 31 December in order to coincide with that of its ultimate holding company and its other subsidiaries. Accordingly, the financial period covers a twelve-month period from 1 January 2017 to 31 December 2017 with the comparative financial period from 1 July 2016 to 31 December 2016.

Change of Company Secretary

Ms. Wong Sau Ping and Mr. Tam Hoi Kwong have been appointed as the joint company secretaries of the Company with effect from 23 June 2017 in place of Ms. Lau Yee Wa.

DIRECTORS' REPORT

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the Chairman's Statement and Management Discussion and Analysis on page 5 and page 6 respectively of this annual report. A description of the principal risks and uncertainties facing the Group can be found in Note 3 to the financial statements. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 6 to 10 of this annual report.

AUDITORS

Messrs HLB Hodgson Impey Cheng Limited retired as auditor of the Company upon expiration of its term of office at the 2016 annual general meeting ("**2016 AGM**") on 10 May 2017. PricewaterhouseCoopers was appointed as auditor of the Company to fill the vacancy and their appointment was approved by shareholders of the Company at 2016 AGM.

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Dr. Woo Kwok Fai Louis
Chairman and Chief Executive Officer

Hong Kong, 9 March 2018

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring of the business and performance of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

As of the date of this report, the Board currently comprises 8 Directors, consisting of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, whose names, roles and functions are listed below:

Executive Directors

Dr. Woo Kwok Fai Louis
(chairman of the Board, Chief Executive Officer and member of Remuneration Committee)
Mr. Chin Yin-Shen
Ms. Chen Ching-Hsuan
Mr. Cheng Michael Ichiang
(member of Remuneration Committee and Nomination Committee)

Non-executive Director

Mr. Hong Sung-Tai

Independent Non-executive Directors

Mr. Yeung Wai Hung Peter
(chairman of Remuneration Committee, member of Audit Committee and Nomination Committee)
Mr. Li Robin Kit Ling
(chairman of Audit Committee, member of Nomination Committee and Remuneration Committee)
Mr. Miao Benny Hua-ben
(chairman of Nomination Committee, member of Audit Committee and Remuneration Committee)

An updated list of Directors is published on the websites of the Company and GEM. The independent non-executive Directors are expressly identified in all corporate communication pursuant to Code Provision A.3.1. of Appendix 15 to the GEM Listing Rules.

In compliance with Rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors and at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors are invited to serve on the various committees of the Company as detailed above.

The Company will use its best efforts to achieve the board diversity policy and ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. Selection of candidates will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company.

The current Directors (including independent non-executive Directors) are appointed for a period of one year. Please refer to the paragraph headed "Directors' Letters of Appointment" of the Directors' Report for more details on the service contracts/letter of appointment of Directors who served the Company during the year ended 31 December 2017.

In accordance with Article 86(3) of the articles of association of the Company, Mr. Chin Yin-Shen, Mr. Hong Sung-Tai and Mr. Li Robin Kit Ling, who were appointed by the Board to fill casual vacancies shall be subject to re-election by the Shareholders at the forthcoming annual general meeting.

In addition, Ms. Chen Ching-Hsuan will retire from office as a Director in accordance with Article 87(1) of the articles of association. She, being eligible, offers herself for re-election pursuant to Article 87(2) of the articles of association.

The Nomination Committee has also recommended to the Board that the above-mentioned Directors are eligible for re-election.

Board Meetings, Committee Meetings and General Meetings

The Board has held regular meetings at approximately monthly intervals.

During the year ended 31 December 2017, 13 Board meetings, 4 Audit Committee meetings, 3 Remuneration Committee meetings and 3 Nomination Committee meetings were held. The attendance record of each Director at meetings of the Board and various committees and at general meetings during the period are set out below:

	Attendance/Number of meeting					
	Annual general meeting	Extraordinary general meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors						
Dr. Woo Kwok Fai Louis						
(Chairman and chief executive officer)	1/1	1/1	7/13	N/A	1/3	N/A
Mr. Chin Yin-Shen	N/A	N/A	1/3	N/A	N/A	N/A
Ms. Chen Ching-Hsuan	1/1	0/1	9/13	N/A	N/A	N/A
Mr. Cheng Michael Ichiang	1/1	N/A	11/12	N/A	3/3	3/3
Mr. Hui Lap Shun*	0/1	0/1	1/10	N/A	N/A	N/A
Mr. Chien Yi-Pin*	0/1	0/1	1/10	N/A	N/A	N/A
Mr. Chen Haining@	0/1	0/1	0/5	N/A	N/A	N/A
Non-executive Directors						
Mr. Hong Sung-Tai	N/A	N/A	0/3	N/A	N/A	N/A
Mr. Tse Tik Yang Denis^	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yeung Wai Hung Peter						
(Chairman of the Remuneration Committee)	1/1	0/1	11/13	4/4	3/3	3/3
Mr. Li Robin Kit Ling						
(Chairman of the Audit Committee)	N/A	N/A	1/1	1/1	N/A	N/A
Mr. Miao Benny Hua-ben						
(Chairman of the Nomination Committee)	0/1	0/1	10/13	3/4	3/3	3/3
Ms. Wu Yi Shuan#						
(Chairman of the Audit Committee)	0/1	0/1	10/12	3/4	2/2	2/2

^ *resigned on 9 February 2017*
@ *retired on 10 May 2017*
* *resigned on 23 October 2017*
# *resigned on 1 December 2017*

Minutes of Board meetings are kept by the company secretary and opened for inspection at any reasonable time on reasonable notice by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted towards the quorum at meetings for the purposes of approving transactions in which such Directors or any of their associates have a material interest.

Directors' induction, continuous training and professional development

The Company has organised an induction for newly appointed Directors in order to ensure that they have a proper understanding of the Company's operations and business and basic knowledge on insider dealings and responsibilities of directors pursuant to the GEM Listing Rules and other applicable laws in Hong Kong.

Our Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations, roles, functions, duties and responsibilities of directors as well as the latest amendments to the GEM Listing Rules.

To assist the Board in discharging its duties, the Board is supported by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The terms of reference for the abovementioned committees are published on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules except for the following:

Code Provision A.2.1. stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

As of the date of this report, Dr. Woo Kwok Fai Louis performs both roles. He is responsible for the overall business strategy and development and management of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership which enables the Group to operate efficiently. The Board will meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer ("**CEO**") of the Company.

The Board considers that there is no imminent need to segregate the roles of chairman and CEO but will review the structure on a continuous basis if division of responsibilities between the chairman and CEO should be put in place for maintaining a balance of power and authority.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Corporate Governance Code of the GEM Listing Rules during the year ended 31 December 2017.

BOARD COMMITTEES

Audit Committee

The Audit Committee has adopted written terms of reference in compliance with Code Provision C.3.3. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2017, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman) (effective on 1 December 2017), Mr. Yeung Wai Hung Peter, Mr. Miao Benny Hua-ben and our former independent non-executive Director, Ms. Wu Yi Shuan (who also resigned as the chairman of Audit Committee on 1 December 2017). At the discretion of the Audit Committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings. The Audit Committee normally meets four times a year and also meets the external auditors twice without the presence of the executive Directors.

The duties of the Audit Committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, and internal control or other matters of the Company. The Audit Committee reviews the truth and fairness of the Company's financial statements, annual report, interim report and quarterly reports, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The Audit Committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairman of the Audit Committee summarises activities of the Audit Committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The external auditors performs independent statutory audit on the Group's financial statements and as part of the audit engagement, reports to the Audit Committee any significant deficiencies (if any) in the Group's internal control system which might come to their attention during the course of audit.

The annual results, including the consolidated statement of financial position, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2017 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee has adopted written terms of reference in compliance with Code Provision B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2017, members of the Remuneration Committee were Mr. Yeung Wai Hung Peter (chairman), Mr. Li Robin Kit Ling, Mr. Miao Benny Hua-ben (each an independent non-executive Director), Dr. Woo Kwok Fai Louis, Mr. Cheng Michael Ichiang (each an executive Director) and Ms. Wu Yi Shuan (former independent non-executive Director and resigned as a member of Remuneration Committee on 1 December 2017). The Remuneration Committee held three meetings during the reporting period and was responsible for formulating and making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management, assessing performance of the executive Directors, approving the terms of letter of appointment of executive Directors, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Nomination Committee

The Nomination Committee has adopted written terms of reference in compliance with Code Provision A.5.2. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to implement the Group's Board Diversity Policy by reviewing the composition of the Board, identifying suitable candidates for the appointment and re-election of Directors, assessing the independence of independent non-executive Directors and monitoring the succession planning of Directors.

During the year ended 31 December 2017, members of the Nomination Committee were Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter and Mr. Li Robin Kit Ling (each an independent non-executive Director), Mr. Cheng Michael Ichiang (an executive Director), and Ms. Wu Yi Shuan (former independent non-executive Director and resigned as a member of Nomination Committee on 1 December 2017). The Nomination Committee held three meetings during the reporting period and was responsible for evaluating and making recommendations for the re-election of directors at the annual general meeting held on 10 May 2017 and identifying suitably qualified candidates to become members of the Board.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, each of the Directors (including former Directors who acted as Director during the reporting period) has confirmed that during his/her tenure as Director for the year ended 31 December 2017, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision D.3.1. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the Corporate Governance Code of the GEM Listing Rules and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

The objective of the risk management and internal control of the Group include:

- establishing and constantly improving the risks management and internal control system;
- ensuring the Group's risk management and internal control in compliance with the GEM Listing Rules requirements;
- implementing the top-down approach and bottom-up approach that covers every aspect of the business; and
- managing rather than eliminating the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

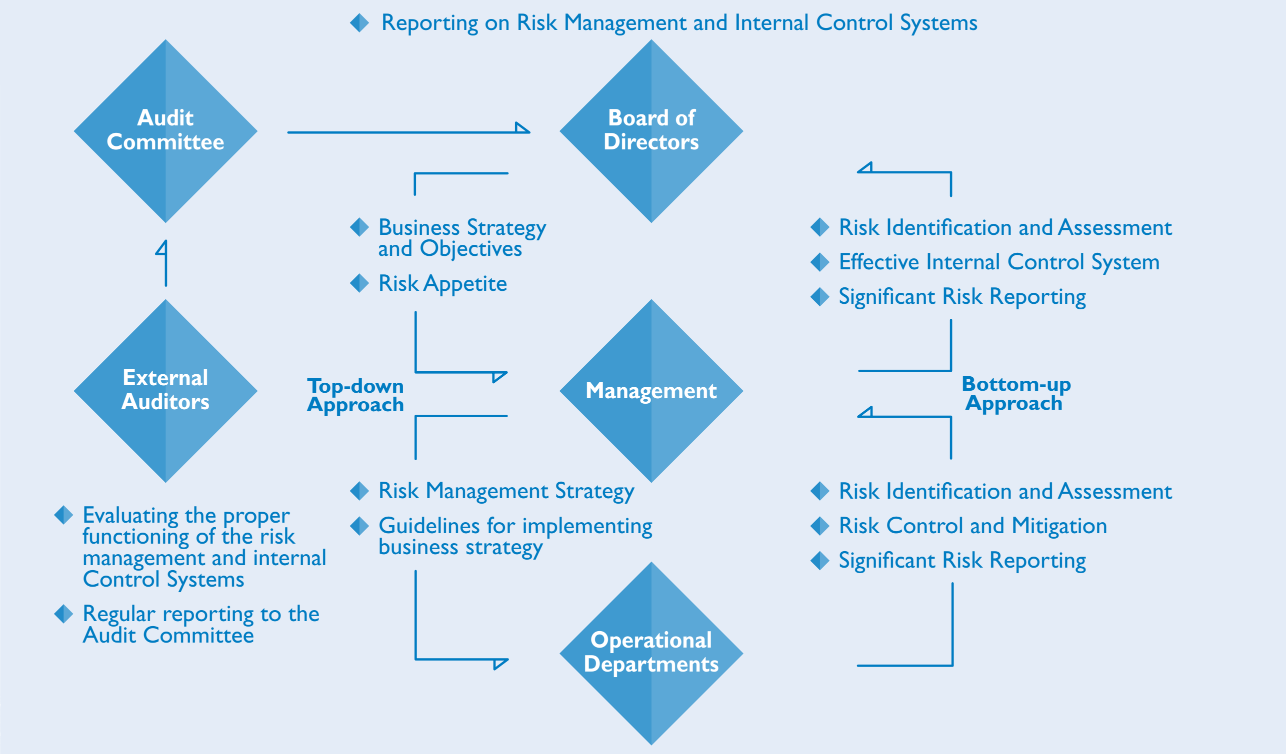
In order to continually improve the Group's internal control and risk management system, the Group has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures that the Group has established and implemented are summarised as follows:

- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the business strategies of the Group.

Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of staff handbook, internal control manual and compliance manual setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is integrated into day-to-day operation and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management and internal control.



The Board has, through the Audit Committee and with the assistance of the management and external auditors, conducted a review of the effectiveness of the Group's risk management and internal control system including financial, operational and compliance controls for the financial year.

The Board has conducted a review of the effectiveness of the risk management and internal control system of the Group through discussion with the Audit Committee on major findings and control issue. The Board considers that the Group has implemented appropriate procedures safeguarding the Group's assets and ensure its accounting records are properly maintained and compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

DIRECTORS AND OFFICERS INSURANCE

During the year ended 31 December 2017, the Company has arranged insurance cover in respect of legal action against its Directors and officers.

DIRECTORS' AND AUDITORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, half-yearly and quarterly reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules and other statutory requirements.

The Directors acknowledge their responsibility in preparing the consolidated financial statements of the Company for the year ended 31 December 2017. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensure that such financial statements reflect a true and fair view of the state of affairs of the Company. The Directors 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. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the reporting period.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, PricewaterhouseCoopers ("**PwC**") was engaged as the Group's independent auditors. Apart from the provision of annual audit services, PwC also provided the non-audit services to the Company.

The remuneration paid/payable to PwC, the auditors, is set out below:

	HK$
Audit and interim review services	1,000,000
Non-audit services *(Note)*	160,000

Note: Non-audit services represented professional services rendered as reporting accountant in relation to the Rights Issue.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the re-election of individual Directors. Save as provided under the GEM Listing Rules, resolutions put to vote at the general meetings of the Company (other than purely administrative and procedural matters) are taken by poll and poll results are posted on the respective websites of the Company and the Stock Exchange after the general meetings. Notice of the general meetings, annual/interim/quarterly reports and circulars have been sent to shareholders in compliance with the requirements of the GEM Listing Rules.

Convening an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, extraordinary general meetings of the Company shall be convened on the requisition of any 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 and carrying the right of voting at general meetings of the Company, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Company fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "**Policy**") whereby the Company's information shall be communicated to shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (annual, interim and quarterly reports), and its corporate communications and other corporate publications on the websites of the Stock Exchange and the Company. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary at the Company's principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The company secretary shall forward enquiries and concerns received to the Board and/or its committee to, where appropriate, answer the same.

Putting forward proposals at general meeting

The number of shareholders necessary for putting forward a proposal at a general meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings on the date of the request.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

During the year ended 31 December 2017, there had been no significant changes in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") published by the Stock Exchange. The report describes the Company's policies in 2017 that were designed to fulfill the Company's obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide. Moreover, the Company has also prepared a full ESG report to disclose detailed information about our ESG related activities in 2017, which is available at http://www.circutech.com.

ENVIRONMENT

Emissions

The Group is engaged in the businesses of design, marketing, repairs and other service support of IT products. The operations of the Group by itself do not have significant impact to the environment but the outsource manufacturing and the IT products do generate hazardous waste and the Group is not subject to any environmental laws and regulations that have a significant impact on the Group. However, the Group takes steps to closely monitor and manage the environmental effect of all operations.

The Group aims to reduce energy consumption and carbon emissions and operate in less harmful ways to the environment. The Group constantly incorporates green principles into each project, for example the environmental harmfulness and the capacity of energy– saving of materials and equipment used during the selection of suppliers. Furthermore, at the Group's offices, the indoor temperature and the running time of air-conditioning system are controlled to reduce energy consumption and carbon emissions.

The main type of energy consumption of the Group is electricity, which was indirect emissions resulting from generation of purchased electricity.

The Hong Kong Offices

Indirect emission of CO_2: 28.29 tonnes

Use of Resources

Due to the Group's business nature, the energy, power and water utilisation of the Group's offices do not rely heavily on energy consumption nor water resources. The Group is committed to building an environmentally friendly working atmosphere that conserves natural resources. The Group strives to minimise environmental impact by saving electricity, encouraging recycling of office supplies and using environmentally friendly equipment and tools in its operations.

During the year, the Company replaced the lighting system by LED lighting, which has high light-quality output and low energy usage. The air-conditioning system are maintaining at 25 degrees Celsius and also set with timer so that they will be automatically switched off during non-office hour. For office consumables consumption management, the Group encourages its employees to handle documents electronically. When the use of paper is required, only formal and confidential documents can use single-sided printing, other documents are required to use double-sided printing. In addition, we have installed video-conference system to reduce business ravels and increase communication efficiency.

The Hong Kong Offices

Indirect energy consumption: electricity 52,383 kWh

The water consumption in the Hong Kong Offices is minimal.

Environment and Natural Resources

The Group values environmentally friendly operation and minimises the impact on the environment and natural resources. The Group sets out the environment and resources management procedures and adopts the "reduce, reuse and recycle" policy to reduce paper consumption.

Reduce: encourages staff to read electronic file instead of print out documents or print on both side to create a paperless office.

Reuse: installs boxes next to printers and photocopying machines to collect used one-side printed paper, encourages employees to use these papers for draft print out. Reuses paper boxes for storage purpose.

Recycle: used ink and toner cartridge of printers and photocopying machines are collected for recycling. Other than saving paper measures, we also uses KHAN-NA paper, a unique model of sustainable fiber, which mitigates global warming.

Due to the nature of our business, the Group does not directly generate industrial pollutants and is not aware of any significant generation of hazardous waste. During the year, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

SOCIAL

Employment and Labour Practices

Employment

Employees are regarded as the most important and valuable assets and core competitive advantage of the Group. They also provide driving force for the continuous innovation of the Group. The Group rewards and recognises performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. The Group also promotes career development and progression by appropriate training and provides opportunities for career advancement. Also, in order to provide a good and fair working environment and safeguard the well-being of the employees, the Group seriously considers all those valuable opinions from employees for enhancing workplace productivity and harmony which can help the Group to build a united and harmonious professional team.

The Group strictly complies with relevant laws and regulations in the jurisdictions in which it operates, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labour relations, employees' remuneration and welfare to protect the rights of employees.

We strictly comply with the laws, regulations and policies regarding social security in the PRC and Hong Kong's Mandatory Provident Fund Schemes Ordinance. The Group contributes to social insurances, housing fund and mandatory provident fund in a timely manner for all the staff.

As at 31 December 2017, the Group employed 31 full time staff in total, and the combination of the gender and age group of the staff are as follows:

Category	Number of Employee
Gender	Male: 20 Female: 11
Age Group	Over 18-30: 9 31-40: 12 41-50: 10
Geographic location	Hong Kong: 23 Overseas: 8

The following table shows the employee turnover rate by gender and age group:

Category	Number of Employee
Gender	Male: 10% Female: 9%
Age Group	Over 18-30: 22% 31-40: 8% 41-50: –
Geographic location	Hong Kong: 13% Overseas: –

Health and Safety

There were no work-related fatalities and reported lost days due to work related injuries during the year. The Group follows the guideline from the Hong Kong Labour's Department to set up the occupational health and safety measures of the Hong Kong offices. In addition, workshops and guidance are provided to staff to improve their awareness on workplace safety.

Development and Training

The Group provides training programmes for staff professional development, so that the employees are better equipped and increasing efficiency which are favourable to the long-term development of the Group. Training programmes are classified into two types according to the target and purpose: internal training and external training. In the Hong Kong offices, the Company organises team building activities and workshop. The Group also supports staff training programmes by granting time and reimbursement.

Percentage of employees trained by gender and employee category

Category	**Percentage of Employees**
Gender	Male: 65% Female: 35%
Employee Category	General staff: 94% Senior management: 6%

The number of training hours per employee by gender and employee category

Category	**Percentage of Employees**
Gender	Male: 12.0 hours Female: 12.4 hours
Employee Category	General staff: 11.3 hours Senior management: 24.0 hours

In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs. Such arrangements can enhance the communication and team spirit, also improve their technical skills and managerial capability and encourage the learning and further development of the employees at all levels. The Group arranges the trainings designated according to the roles and responsibilities of the employees, mainly includes human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, occupational health and safety etc.. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Labour Standards

The Group's recruitment management system measures clearly on the staff's requirement. Review and verification of applicant's identity information are required during the recruitment process, and recruitment of child labour and forced labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group provides its staff with a safe, healthy, comfortable working environment with labour protection, reasonable remuneration and various welfare. The Group enters into employment contract with each of its employees in accordance with relevant laws and regulations in the PRC and Hong Kong.

Operating Practices

Supply Chain Management

The Group values the partnership with suppliers and works together to promote sustainable development of the industry. The Group has been continuously optimising and improving the supplier management system, regulating the access, supervision, evaluation and departure of suppliers, and constantly increasing specialisation and transparency of supply chain management. The evaluation of a supplier mainly includes background, qualification (for example, holding necessary licenses to provide such services), quality control of service, financial status, past performance in similar service, fulfilment of contract, professionalism of project team, operation in good integrity and social responsibility. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers who fail to meet the requirements will ultimately be disqualified. The Group values communication with suppliers, including continuous communication with suppliers in routine work and establishing strategic cooperation with suppliers through technical support and unique competitive advantage that can achieve a win-win situation and strengthen the cooperation with each other. The largest supplier and the five largest suppliers accounted for 79% and 97%, respectively of the Group's total purchases for the year. Over 95% of the purchases are from oversea suppliers.

Product Responsibility

The Group aims to achieve the highest possible standard with all the services provided. The Group has established relevant policies which cover service quality guarantee, safety, fair advertising and after-sale services in order to ensure that relevant measures comply with the laws and regulations.

The Group pays close attention to the quality and safety of its products and services. In 2017, the Group did not receive any complaints or requests to terminate relationship due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. The Group has close connection with customers. If customers are not satisfied with the quality and safety of the services, the Group will arrange sufficient channels and staff to support customers' communication and provide solutions to the problems as soon as possible.

The routine work of the Group always involves the intellectual property rights of customers, suppliers and the Group, therefore protection of intellectual property rights is extremely important. The Group adds protective clauses to the contracts entered into with customers and suppliers to safeguard intellectual property rights. The Group also reviews every operational contract to ensure that the contract safeguards the intellectual property rights of the parties. Furthermore, The Group also requests technical specialists to sign confidentiality agreements. The Group also complies with relevant data privacy legislations. All confidential data of customers can only be accessed by the staff who are responsible the projects for of relevant clients.

With respect to fair advertising, the Group requires the employees of the sales department to provide customers with accurate and true information on the Group's products and services. Hotline and e-mail are also available for customers' enquiries on service details in order to provide better before and after sale services.

Anti-corruption

All of the Group's operations comply with local and national legislations on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislations on anti-corruption and bribery in other jurisdictions.

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behaviour to an end as stipulated in the employment contracts. Cases of conflict of interest must be reported to the Group's management. Employees who engage in business operations and represent the Company's professional image are strictly prohibited to use business opportunities for personal interest or benefit.

Public tendering will be made for any project in larger sum where at least three suppliers are invited for tender. Service contracts in different amount are required to be examined and approved by different management.

During the year, there is no legal case regarding corrupt practices brought against the Group or its employees.

Community

Community Investment and Involvement

The Group always seeks to be a positive force in the communities in which it operates and maintains close ties with the communities in order to contribute to local development.

The Group believes that the creation of a beautiful and peaceful community depends on the cooperation of people, corporations and society as a whole. By working together with various community partners, the Group believes that it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage staff to devote their time and skills to benefit local communities. It gives employees the opportunities to find out more about the issues about society and the environment and reinforce the Group's corporate values.

During the year, the Group sponsored the Homeless World Cup organised by Hong Kong Street Soccer and funded by the Hong Kong Jockey Club Charities Trust. Through advocating team spirit and in cooperation with different parties in the community, the Group considers the event will promote a more inclusive society, encourage and support marginal groups and former prison inmates to build self-confidence and perseverance so that they may re-integrate into the society as soon as possible.

The Group will consider from time to time donation to charitable organisations if the Group records profit after tax and has sufficient cash flow.

pwc 羅兵咸永道

To the Shareholders of
CircuTech International Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of CircuTech International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 107, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
Refer to Notes 2.12, 4.1(a) and 18 to the consolidated financial statements The Group held inventories of HK$103,622,000, net of provision of HK$954,000 as at 31 December 2017. Inventories are stated at lower of cost and net realisable value in the consolidated financial statements. Management assessed the provision for obsolete and slow moving inventories at period end based on the ageing of inventories and their net realisable value. The identification of obsolete and slow moving inventories and determination of selling price less cost to sell requires the use of significant judgement and estimates, including the consideration of products' nature, ageing profile, historical sales pattern, estimated selling prices and forecasted sales orders. The estimates are also subject to the uncertainty of market trends, customer demands and technology development. We focused on this area due to the significance of the balance and the significant management estimates and judgements involved in determining the provision for inventories.	We examined the basis of the methodology with respect to provision for inventories and evaluated, amongst others, the outcome of management's estimations in prior year and the analysis and assessment made by management with respect to obsolete and slow moving inventories. We also evaluated the assumptions and estimates applied by management for making such provision based on the products' nature, ageing profile, historical sales pattern, estimated selling prices and the forecasted sales orders. We tested, on a sample basis, the provisions for selected inventory items by comparing the estimated selling price with the post year-end sales data and tested the inventory aging. In addition, where there were no subsequent sales of respective finished goods after the year end, we discussed with management as to the realisable value of the products, corroborating explanations with the inventory aging, latest sales orders and historical margins, as appropriate. Based on the procedures described, we considered management's estimates and judgements, which formed the basis of the provision for inventories, were reasonable and acceptable.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	Six months ended 31 December 2016 HK$'000
Revenue	5	**98,966**	9,530
Cost of sales	7	**(90,803)**	(5,736)
Gross profit		**8,163**	3,794
Other income	6	**564**	254
Selling and distribution costs	7	**(3,107)**	(1,517)
Administrative expenses	7	**(16,579)**	(8,916)
Research and development expenditures	7	**(1,933)**	(1,150)
Loss before income tax		**(12,892)**	(7,535)
Income tax expense	11	**(322)**	–
Loss for the year/period		**(13,214)**	(7,535)
Other comprehensive income for the year/period:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**59**	135
Total comprehensive loss for the year/period		**(13,155)**	(7,400)
Loss for the year/period attributable to:			
– Owners of the Company		**(13,210)**	(7,517)
– Non-controlling interests		**(4)**	(18)
		(13,214)	(7,535)
Total comprehensive loss for the year/period attributable to:			
– Owners of the Company		**(13,113)**	(7,414)
– Non-controlling interests		**(42)**	14
		(13,155)	(7,400)
			(Restated)
Loss per share attributable to owners of the Company (HK cents per share)			
– Basic and diluted	12	**(67.00)**	(40.20)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**10,411**	11,627
Capitalised development costs	14	**–**	461
Available-for-sale financial asset	16	**1,462**	–
		11,873	12,088
Current assets			
Inventories	18	**102,668**	1,560
Trade and other receivables	17	**1,973**	2,754
Restricted bank deposits	30	**15,607**	–
Cash and cash equivalents	19	**86,067**	49,460
		206,315	53,774
Total assets		**218,188**	65,862
Equity			
Share capital	20	**4,687**	3,348
Other reserves	21	**198,246**	101,060
Accumulated losses	22	**(54,288)**	(41,078)
Capital and reserves attributable to owners of the Company		**148,645**	63,330
Non-controlling interests		**(504)**	(462)
Total equity		**148,141**	62,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Liabilities			
Current liabilities			
Trade and other payables	*24*	**69,725**	2,994
Tax payables		**322**	–
Total liabilities		**70,047**	2,994
Total equity and liabilities		**218,188**	65,862

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 44 to 107 were approved by the Board of Directors on 9 March 2018 and were signed on its behalf

Dr. Woo Kwok Fai Louis
Director

Mr. Cheng Michael Ichiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital *(Note 20)* *HK$'000*	**Other reserves** *(Note 21)* *HK$'000*	**Accumulated losses** *(Note 22)* *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 July 2016	3,348	100,957	(33,561)	70,744	(476)	70,268
Loss for the period	–	–	(7,517)	(7,517)	(18)	(7,535)
Other comprehensive income	–	103	–	103	32	135
Total comprehensive income/(loss) for the period	–	103	(7,517)	(7,414)	14	(7,400)
At 31 December 2016	3,348	101,060	(41,078)	63,330	(462)	62,868
Loss for the year	–	–	(13,210)	(13,210)	(4)	(13,214)
Other comprehensive income/(loss)	–	97	–	97	(38)	59
Total comprehensive income/(loss) for the year	–	97	(13,210)	(13,113)	(42)	(13,155)
Transactions with owners in their capacity as owners:						
Contributions from rights issue net of transaction costs *(Note 20(e))*	1,339	97,089	–	98,428	–	98,428
At 31 December 2017	**4,687**	**198,246**	**(54,288)**	**148,645**	**(504)**	**148,141**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	Six months ended 31 December 2016 HK$'000
Cash flows from operating activities			
Cash used in operations	27	**(44,090)**	(5,464)
Interest received		**3**	2
Net cash used in operating activities		**(44,087)**	(5,462)
Cash flows from investing activities			
Payments for property, plant and equipment		**(95)**	(11,496)
Payments for available-for-sale financial assets		**(1,462)**	–
Proceeds from sale of property, plant and equipment		**3**	–
Increase in restricted bank deposits		**(15,583)**	–
Net cash used in investing activities		**(17,137)**	(11,496)
Cash flows from financing activities			
Net proceeds from the issue of rights shares	20(e)	**98,428**	–
Net cash generated from financing activities		**98,428**	–
Net increase/(decrease) in cash and cash equivalents		**37,204**	(16,958)
Cash and cash equivalents at beginning of year/period		**49,460**	66,282
Effects on exchange rates changes on cash and cash equivalents		**(597)**	136
Cash and cash equivalents at end of year/period	19	**86,067**	49,460

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

CircuTech International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the sales and distribution of IT products, and the provision of repairs and other service support of IT products.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has its primary listing on the GEM of the Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years/periods presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of CircuTech International Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial asset which is measured at fair value.

(iii) Change of accounting period end

In prior year, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group to be in line with that of the ultimate holding company and the operating subsidiaries established/incorporated in the People's Republic of China ("PRC") and the United States of America ("U.S."). Accordingly, the consolidated financial statements for the previous period covered the six months period from 1 July 2016 to 31 December 2016. The corresponding amounts for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for current period cover a twelve-month period from 1 January 2017 to 31 December 2017 and therefore are not comparable with amounts shown for the previous period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures

(a) Amended standard adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning on or after 1 January 2017:

Amendments to HKAS 7 "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Amendments to existing standards effective in 2017 but not relevant to the Group

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	Disclosure of interest in other entities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures *(continued)*

(c) New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency translations and advance considerations	1 January 2018	
Amendments to HKAS 40	Transfers of investment property	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKFRS 17	Insurance contracts	1 January 2021	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures *(continued)*

(c) New and amended standards and interpretations not yet adopted (continued)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's equity instrument that is currently classified as available-for-sale will allow the management to make an irrevocable election to present as fair value through other comprehensive income ("FVOCI"). Accordingly, the Group does not expect the new guidance to affect the classification and measurement of the financial asset. However, gains or losses realised on the sale of financial asset at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified between the line from the FVOCI reserve to accumulated losses.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("HKAS") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures *(continued)*

(c) New and amended standards and interpretations not yet adopted (continued)

(i) HKFRS 9 Financial Instruments *(continued)*

Impact *(continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures *(continued)*

(c) New and amended standards and interpretations not yet adopted (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers *(continued)*

Impact

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that will be affected:

Rights of return – HKFRS 15 requires separate presentation on the statement of financial positions of the right to recover the goods from the customer and the refund obligation. The historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.

Presentation of contract assets and contract liabilities in the statement of financial positions – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other line items in the statement of financial positions.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in accumulated losses as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures *(continued)*

(c) New and amended standards and interpretations not yet adopted (continued)

(iii) HKFRS 16 Leases *(continued)*

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$638,000. The Group estimates some of the payments for short-term and low-value leases will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Principles of consolidation

2.2.1 Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within "finance costs". All other foreign exchange gains and losses are presented in profit or loss on a net basis within "administrative expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(b) *Transactions and balances* *(continued)*

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) *Group companies*

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Leasehold improvements	3 to 5 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Machinery	5 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.7 Intangible assets

(a) Capitalised development costs

Development costs that are directly attributable to the design and testing of identifiable and unique IT products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the capitalised development cost include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets *(continued)*

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation methods and periods

The Group amortises intangible asset with a limited useful life using the straight-line method over the following period:

Capitalised development costs	3 years

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 15 for details about each type of financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments and other financial assets *(continued)*

(a) *Classification* *(continued)*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, restricted bank deposits and cash and cash equivalents.

(ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) *Reclassification*

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments and other financial assets *(continued)*

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value for non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of “other income” when the Group’s right to receive payments is established.

Interest on loans and receivables calculated using the effective interest method is recognised in profit or loss as part of “other income”.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3(a).

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group companies or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 17.

(b) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

2.12 Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises cost of purchase, cost of conversion and other costs incurred to bring the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of first-in first-out ("FIFO"). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.9 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits *(continued)*

(b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plan

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.19 Share-based payments

Share-based compensation benefits are provided to employees via the "2016 Option Scheme". Information relating to this scheme is set out in Note 23.

(a) Employee options

The fair value of options granted under the 2016 Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Share-based payments *(continued)*

(a) Employee options *(continued)*

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

When the options are exercised, appropriate amount of shares are transferred to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

2.20 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Revenue is recognised when goods are shipped out at the Group's premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) Rendering of services

The Group provide repair, maintenance and service support for electronic products. For sales of services, revenue is recognised in the accounting period in which the services are rendered.

2.22 Interest income

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

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases *(Note 28)*. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the board of directors. Group Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not a functional currency of the relevant group entities. The Group currently does not have a foreign currency hedging policy and has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in HK$, was as follows:

	US$	**EUR**	**RMB**	**GBP**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017				
Available-for-sale financial asset	**1,462**	**–**	**–**	**–**
Trade and other receivables	**192**	**–**	**–**	**7**
Restricted bank deposits	**15,607**	**–**	**–**	**–**
Cash and cash equivalents	**1,783**	**139**	**–**	**244**
Trade and other payables	**(577)**	**–**	**(15)**	**–**
As at 31 December 2016				
Trade and other receivables	228	–	–	322
Cash and cash equivalents	2,171	855	–	1,356
Trade and other payables	(474)	–	(7)	–

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

Sensitivity

The HK$ is pegged to US$ and thus foreign currency exposure is considered as minimal and is not hedged. Management believes that appreciation/depreciation of EUR, RMB and GBP against HK$ would not have a material impact on the Group's loss after income tax and other components of equity for the year/period. Therefore, no sensitivity analysis is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for interest income derived from bank deposits. Apart from deposits held at financial institutions, the Group has no significant interest bearing assets and liabilities.

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from available-for-sale financial assets, trade and other receivables, restricted bank deposits and cash and cash equivalents. Impairment provisions are made for losses that have been incurred at the date as of statement of financial position.

The Group's cash and bank deposits are entered into with a diversified portfolio of reputable financial institutions. Counterparties' credit risks are carefully reviewed and in general, the Group only deals with financial institutions with low credit risk. The amount of counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit history.

The Group performs periodic credit evaluations of its customers. For the trade and other receivables proved to be impaired, management has provided sufficient provision on those balances.

Management considers the credit risk on other receivables is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by these companies.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

As at 31 December 2017, the financial assets of the Group that are exposed to credit risk and their maximum exposure are as follows:

	2017		2016	
	Carrying amount in the statement of financial position HK$'000	Maximum exposure to credit risk HK$'000	Carrying amount in the statement of financial position HK$'000	Maximum exposure to credit risk HK$'000
Financial assets				
Available-for-sale financial asset	1,462	1,462	–	–
Trade and other receivables	1,973	1,331	2,754	2,208
Restricted bank deposits	15,607	15,607	–	–
Cash and cash equivalents	86,067	86,024	49,460	49,456

(c) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any significant borrowings or credit facilities utilised during the year, except for a standby line of credit issued to a vendor *(Note 24)*. The Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

(i) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2017 HK$'000	2016 HK$'000
Trade and other payables		
Less than 1 year	59,388	2,759

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

(a) Risk management

The Group's objectives when managing capital are to:–

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

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

3.3 Fair value estimation

(a) Financial assets

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	*Note*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
At 31 December 2017					
Financial assets					
Available-for-sale financial asset – equity interest in an unlisted entity	16	–	–	1,462	1,462
At 31 December 2016					
Financial assets					
Available-for-sale financial asset – equity interest in an unlisted entity	16	–	–	–	–

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year/period.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) Financial assets *(continued)*

(i) Fair value hierarchy (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

The valuation technique used to determine fair value is discounted cash flow analysis. Based on the financial budgets and forecast, the determination of fair value use post-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using terminal growth rate.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year/period ended 31 December 2017 and 2016:

	HK$'000
Available-for-sale financial asset – unlisted equity securities	
Balance at 1 July 2016 and 31 December 2016	–
Addition	1,462
Balance at 31 December 2017	1,462

The fair value of the available-for-sale financial asset was determined based on discounted cash flow with unobservable including annual revenue growth rate, terminal growth rate and risk adjusted discount rate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) Financial assets *(continued)*

(iv) Valuation inputs and relationships to fair value

Description	Fair value at 31 December		Unobservable inputs *(Note (i))*	Range of inputs		Relationship of unobservable inputs to fair value
	2017	2016		**2017**	2016	
	HK$'000	*HK$'000*				
Unlisted equity securities	**1,462**	–	Annual revenue growth rate	**31.0% – 55.0%** *(Note (ii))*	–	If annual revenue growth rate or terminal growth rate increases, or risk-adjusted discount rate decreases, the fair value would increase; if annual revenue growth rate or terminal growth rate decreases or risk-adjusted discount rate increases, the fair value would decrease.
			Terminal growth rate	**5.5%**	–	
			Risk-adjusted discount rate	**20%**	–	

Notes:

(i) There were no significant inter-relationship between unobservable inputs that materially affect fair value.

(ii) The average revenue growth rate covering the five-year forecast period was 40.6%.

(v) Valuation processes

The finance department of the Group performs valuations of non-property items required for financial reporting purposes, including level 3 fair values. They report directly to the management. Discussions of valuation processes and results are held at each interim and annual reporting date.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial asset is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.
- Annual revenue growth rate and terminal growth rate for unlisted equity securities are estimated based on market information for similar types of companies.

Changes in level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the management and the finance department. As part of this discussion, the finance department presents a report that explains the reason for the fair value movements.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(a) Impairment of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased. The amount written off to profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(b) Estimated useful lives, residual value and impairment of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

The Group is required to evaluate at each reporting date whether there is any indication that the carrying values of property, plant and equipment may be impaired. If any such indication exists, the Group should estimate the recoverable amount of the property, plant and equipment. An impairment loss is recognised for the excess of the carrying amount of the property, plant and equipment over their recoverable amounts. The recoverable amount is determined at the higher of fair value less costs of disposal and value in use. The value in use is the present value of the cash flows expected to arise from the continuing use of property, plant and equipment and cash arising from its disposal at the end of its useful life.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates *(continued)*

(c) Estimation of fair value of available-for-sale financial asset

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3(a).

(d) Current and deferred income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred taxation assets relating to certain temporary differences and tax losses are recognised to the extent that management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

5 SEGMENT INFORMATION

The Group derives the following types of revenue:

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Sales and distribution of IT products	**98,950**	9,508
Repairs and service support	**16**	22
Total revenue	**98,966**	9,530

5 SEGMENT INFORMATION *(continued)*

The Group is principally engaged in the sales and distribution of IT products, and the provision of repairs and other service support of IT products.

The chief operating decision-makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors have determined the operating segments based on the information reviewed by them that are used to make strategic decisions.

The Executive Directors examine the Group's performance from a product perspective, and have identified two reportable segments of the Group's business:

(i) Sales and distribution of IT products: this part of business designs, manufactures and markets video surveillance systems and distributes third party IT products; and

(ii) Repairs and service support: repairs, maintenance and other service support for electronic products are provided under this part of business.

No sales between segments are carried out during the year/period ended 31 December 2017 and 2016. The revenue from external parties is measured in the same way as in the consolidated statement of comprehensive income.

Interest income from bank deposits and corporate expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Segment assets consist primarily of property, plant and equipment, trade and other receivables and inventory. Corporate assets are excluded from segment assets. Segment liabilities primarily comprise accounts and other payables. They exclude tax payables and corporate liabilities. Corporate assets and liabilities are not allocated to the reportable segments as they are managed on a central basis or at corporate level.

5 SEGMENT INFORMATION *(continued)*

The segment information for the year ended and as at 31 December 2017 is as follows:

	Sales and distribution of IT products HK$'000	Repairs and service support HK$'000	Total HK$'000
Revenue from external customers	98,950	16	98,966
Segment loss	(460)	(1,127)	(1,587)
Interest income from bank deposits			3
Unallocated corporate expenses *(Note)*			(11,308)
Loss before income tax			(12,892)
Income tax expense			(322)
Loss for the year			(13,214)
Other items for the year ended 31 December 2017			
Depreciation of property, plant and equipment	111	1,131	1,242
Amortisation of capitalised development costs	461	–	461
Loss on disposal of property, plant and equipment	68	–	68
Reversal of provision on trade receivables	(21)	–	(21)
Provision on inventories	430	–	430
Write off of inventories	164	–	164
Additions to non-current assets	95	–	95

5 SEGMENT INFORMATION *(continued)*

The segment information for the year ended and as at 31 December 2017 is as follows: *(continued)*

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Reportable segment assets	105,996	10,209	116,205
Unallocated corporate assets			101,983
Total assets per consolidated statement of financial position			218,188
Reportable segment liabilities	68,290	–	68,290
Tax payables			322
Unallocated corporate liabilities			1,435
Total liabilities per consolidated statement of financial position			70,047

5 SEGMENT INFORMATION *(continued)*

The segment information for the six months ended and as at 31 December 2016 is as follows:

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	9,508	22	9,530
Segment (loss)/profit	(1,544)	11	(1,533)
Interest income from bank deposits			2
Unallocated corporate expenses *(Note)*			(6,004)
Loss before income tax			(7,535)
Income tax expense			–
Loss for the period			(7,535)
Other items for the six months ended 31 December 2016			
Depreciation of property, plant and equipment	40	–	40
Amortisation of capitalised development costs	296	–	296
Loss on disposal of property, plant and equipment	31	–	31
Provision on trade receivables	94	–	94
Reversal of provision on inventories	(532)	–	(532)
Write off of inventories	853	–	853
Additions to non-current assets	169	11,315	11,484

5 SEGMENT INFORMATION *(continued)*

The segment information for the six months ended and as at 31 December 2016 is as follows: *(continued)*

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Reportable segment assets	4,292	11,315	15,607
Unallocated corporate assets			50,255
Total assets per consolidated statement of financial position			65,862
Reportable segment liabilities	1,054	–	1,054
Tax payables			–
Unallocated corporate liabilities			1,940
Total liabilities per consolidated statement of financial position			2,994

Note: Unallocated corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

The Group's business activities are conducted predominantly with customers in North America and Europe. The amount of its revenue from external customers and non-current assets broken down by location is shown in the table below.

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December 2017 ***HK$'000***	Six months ended 31 December 2016 *HK$'000*	**As at 31 December 2017** ***HK$'000***	As at 31 December 2016 *HK$'000*
North America	**50,634**	19	**8**	–
Europe	**27,624**	1,849	**11**	–
Asia	**19,100**	6,374	**11,854**	12,088
Africa	**1,502**	1,196	**–**	–
Others	**106**	92	**–**	–
	98,966	9,530	**11,873**	12,088

5 SEGMENT INFORMATION *(continued)*

Revenue is allocated based on the location where the Group's customers are located. Non-current assets are allocated based on the location where the Group's entities operate.

The following external customers individually contribute over 10% of the Group's total revenue and are attributable to the sales and distribution of IT products segment:

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Customer A	**25,207**	–
Customer B	**21,316**	–
Customer C	**19,843**	–

6 OTHER INCOME

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Interest income from bank deposits	**3**	2
Service income	**534**	187
Others	**27**	65
	564	254

7 EXPENSE BY NATURE

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Cost of inventories sold	**89,196**	5,026
Employee benefit expenses *(Note 8)*	**10,690**	4,253
Loss on disposal of property, plant and equipment *(Note 27)*	**68**	35
Depreciation of property, plant and equipment *(Note 13)*	**1,242**	60
Amortisation of capitalised development costs (included in research and development expenditures) *(Note 14)*	**461**	296
Auditors' remuneration in respect of audit services	**896**	455
Net foreign exchange (gain)/loss	**(61)**	328
Provision/(reversal of provision) on inventories (included in cost of sales) *(Note 18)*	**430**	(532)
Write off of inventories *(Note 18)*	**164**	853
(Reversal of provision)/provision on trade receivables *(Note 17)*	**(21)**	94
Legal and professional expenses	**4,133**	3,574
Operating lease charges in respect of office and warehouse	**1,820**	1,296
Other expenses	**3,404**	1,581
Total cost of sales, selling and distribution costs, administrative expenses and research and development expenditures	**112,422**	17,319

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Salaries, wages and other benefits	**10,299**	4,148
Pension costs – defined contribution plans	**391**	105
	10,690	4,253

8 EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Pensions – defined contribution plans

No forfeited contributions were utilised during the year (Six months ended 31 December 2016: Nil).

Contributions totalling HK$47,000 (2016: HK$18,000) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (Six months ended 31 December 2016: Nil) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining three (Six months ended 31 December 2016: five) individuals during the year/period are as follows:

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,421**	1,273
Contribution to pension scheme	**54**	40
	1,475	1,313

The emoluments fell within the following bands:

	Year ended 31 December 2017	Six months ended 31 December 2016
Emolument bands (in HK$)		
Below HK$1,000,001	**3**	5

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

9.1 Directors and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017

	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Dr. Woo Kwok Fai Louis *(Chairman and Chief Executive Officer)*	–	420	–	–	–	420
Mr. Chin Yin-Shen *(Note (i))*	–	–	–	–	–	–
Ms. Chen Ching-Hsuan	–	–	–	–	–	–
Mr. Cheng Michael Ichiang *(Note (ii))*	–	1,323	–	–	17	1,340
Mr. Hui Lap Shun *(Note (iii))*	–	–	–	–	–	–
Mr. Chien Yi-Pin *(Note (iii)*	–	–	–	–	–	–
Mr. Chen Haining *(Note (iv))*	–	–	–	–	–	–
Non-executive directors						
Mr. Hong Sung-Tai *(Note (i))*	–	–	–	–	–	–
Mr. Tse Tik Yang Denis *(Note (v))*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Yeung Wai Hung Peter	120	–	–	–	–	120
Mr. Li Robin Kit Ling *(Note (vi))*	10	–	–	–	–	10
Mr. Miao Benny Hua-ben	120	–	–	–	–	120
Ms. Wu Yi Shuan *(Note (vii))*	110	–	–	–	–	110
	360	1,743	–	–	17	2,120

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

9.1 Directors and chief executive's emoluments *(continued)*

The remuneration of every director and the chief executive is set out below: *(continued)*

For the six months ended 31 December 2016

	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Dr. Woo Kwok Fai Louis *(Chief Executive)*	–	140	–	–	–	140
Mr. Hui Lap Shun *(Note (iii))*	–	–	–	–	–	–
Mr. Chien Yi Pin *(Note (iii)*	–	–	–	–	–	–
Ms. Chen Ching Hsuan	–	–	–	–	–	–
Mr. Chen Haining *(Note (iv))*	17	–	–	–	–	17
Non-executive directors						
Mr. Tse Tik Yang Denis *(Note (v))*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Yeung Wai Hung Peter	60	–	–	–	–	60
Ms. Wu Yi Shuan *(Note (vii))*	60	–	–	–	–	60
Mr. Miao Benny Hua Ben	60	–	–	–	–	60
	197	140	–	–	–	337

Notes:

(i) Appointed on 23 October 2017
(ii) Appointed on 9 February 2017
(iii) Resigned on 23 October 2017
(iv) Retired on 10 May 2017
(v) Resigned on 9 February 2017
(vi) Appointed on 1 December 2017
(vii) Resigned on 1 December 2017

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

9.2 Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the financial year (Six months ended 31 December 2016: Nil).

9.3 Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (Six months ended 31 December 2016: Nil).

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

There were no loans, quasi-loan and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors, whether directly or indirectly, subsisted at the end of the year or at any time during the year (Six months ended 31 December 2016: Nil).

9.5 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (Six months ended 31 December 2016: Nil).

10 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of the entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2017	2016	**2017**	2016
				%	%	**%**	%
CircuTech Investment Holdings (BVI) Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding	US$1	**100**	100	**–**	–
Signal Communications Holdings Limited	BVI, limited liability company	Investment holding	HK$15,000,000	**100**	100	**–**	–
CircuTech Enterprises (HK) Limited	Hong Kong, limited liability company	Sales and distribution together with repairs and other service support of IT products	HK$1,000	**100**	100	**–**	–
CircuTech Investment Limited	Hong Kong, limited liability company	Investment holding, sales and distribution together with repairs and other service support of IT products	HK$1	**100**	100	**–**	–
Signal Communications Limited	Hong Kong, limited liability company	Research and development and sales and marketing of video surveillance systems	HK$1,000	**100**	100	**–**	–
TeleEye Europe Limited	UK, limited liability company	Sales and marketing of video surveillance systems	GBP100	**95**	95	**5**	5
千里眼數碼科技(深圳)有限公司 *(Note (i))*	PRC, limited liability company	Production, sales and marketing of video surveillance systems	US$130,000	**100**	100	**–**	–
CircuTech Holdings Alliances (Netherlands)	Netherlands, limited liability company	Sales and distribution of IT products	EUR0.01	**100**	100	**–**	–
CircuTech Investment Ltd. (Taiwan)	Hong Kong, limited liability company	Sales and distribution of IT products	HK$1	**100**	100	**–**	–
CircuTech Inc. (US)	USA, limited liability company	Sales and distribution of IT products	US$1,000	**100**	100	**–**	–
CircuTech Holdings (Singapore) Pte. Ltd.	Singapore, limited liability company	Sales and distribution of IT products	SG$1	**100**	100	**–**	–
CircuTech Australia Pty Ltd. *(Note (ii))*	Australia, limited liability company	Sales and distribution of IT products	AU$1,000	**100**	–	**–**	–

10 SUBSIDIARIES *(continued)*

Notes:

(i) The subsidiary is registered in the form of a wholly foreign owned enterprise.

(ii) The subsidiary was newly incorporated during the year ended 31 December 2017.

(a) Significant restrictions

Cash and short-term deposits held in PRC are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is HK$45,000 (2016: HK$14,000).

11 INCOME TAX

11.1 Income tax expense

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Current tax		
Current tax on profits for the year/period	**322**	–

11 INCOME TAX *(continued)*

11.1 Income tax expense *(continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profit tax rate as follows:

	Year ended 31 December 2017 ***HK$'000***	Six months ended 31 December 2016 *HK$'000*
Loss before income tax	**(12,892)**	(7,535)
Tax at the Hong Kong tax rate of 16.5% (2016: 16.5%)	**(2,127)**	(1,243)
Tax effects of:		
– Income not subject to tax	**(1)**	(69)
– Expenses not deductible for tax purposes	**120**	43
– Difference in overseas tax rates	**16**	(23)
– Tax losses for which no deferred income tax asset was recognised	**2,262**	1,326
– Others	**52**	(34)
Income tax expense	**322**	–

11.2 Tax losses

	2017 ***HK$'000***	2016 *HK$'000*
Unused tax losses for which no deferred tax asset has been recognised	**57,633**	43,568
Potential tax benefit at domestic tax rate for which the group entities operate	**10,053**	7,917

The unused tax losses were incurred by the group companies that are not likely to generate taxable income in the foreseeable future. Tax losses amounting to approximately HK$2,168,000 (2016: HK$1,410,000), HK$107,000 (2016: Nil), HK$455,000 (2016: HK$128,000) and HK$773,000 (2016: Nil) will be expired up to year 2022 (2016: 2021), year 2026 (2016: 2025), year 2027 (2016: 2026) and year 2037 (2016: 2036) respectively; while the remaining balance can be carried forward indefinitely. See Note 25 for information about recognised tax losses and Note 4.1(d) for significant judgements made in relation to them.

12 LOSS PER SHARE

12.1 Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued and effect from shares consolidation during the year.

	Year ended 31 December 2017 ***HK$'000***	Six months ended 31 December 2016 *HK$'000*
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	**(13,210)**	(7,517)
		(Restated)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share *('000)* *(Note (i) & (ii))*	**19,717**	18,700
		(Restated)
Basic loss per share attributable to the ordinary equity holders of the Company *(HK cents per share)*	**(67.00)**	(40.20)

Notes:

(i) The weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share has been adjusted for the share consolidation on 6 February 2017 *(Note 20(d))*. Hence, the comparative figures for the basic loss per share are adjusted to take into account the effect of the above share consolidation during the period retrospectively as if it had taken place before the beginning of the comparative period.

(ii) On 4 September 2017, the Company has proposed an issuance of rights shares, and it has been completed on 20 October 2017 *(Note 20(e))*. Therefore, the weighted average number of ordinary shares for the purpose of calculating the basic loss per share has been adjusted for the bonus elements arose from the rights issue. The comparative figures for the basic loss per share are adjusted to take into account the effect of the above bonus elements from the rights issue retrospectively as if it had taken place before the beginning of the comparative period.

12.2 Diluted loss per share

Diluted loss per share is equal to basic loss per share as there was no dilutive potential share outstanding in year/period presented.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
At 1 July 2016					
Cost	439	280	1,735	–	2,454
Accumulated depreciation	(423)	(224)	(1,580)	–	(2,227)
Net book value	16	56	155	–	227
Six months ended 31 December 2016					
Opening net book value	16	56	155	–	227
Exchange differences	–	–	(1)	–	(1)
Additions	96	73	12	11,315	11,496
Depreciation charge *(Note 7)*	(14)	(12)	(34)	–	(60)
Disposals	–	–	(35)	–	(35)
Closing net book value	98	117	97	11,315	11,627
At 31 December 2016					
Cost	122	272	1,190	11,315	12,899
Accumulated depreciation	(24)	(155)	(1,093)	–	(1,272)
Net book value	98	117	97	11,315	11,627
Year ended 31 December 2017					
Opening net book value	98	117	97	11,315	11,627
Exchange differences	–	1	1	–	2
Additions	–	–	95	–	95
Depreciation charge *(Note 7)*	(34)	(21)	(56)	(1,131)	(1,242)
Disposals	(10)	(40)	(21)	–	(71)
Closing net book value	54	57	116	10,184	10,411
At 31 December 2017					
Cost	96	198	1,088	11,315	12,697
Accumulated depreciation	(42)	(141)	(972)	(1,131)	(2,286)
Net book value	54	57	116	10,184	10,411

Depreciation expense of HK$1,242,000 (Six months ended 31 December 2016: HK$60,000) has been charged in "administrative expenses".

14 CAPITALISED DEVELOPMENT COSTS

	HK$'000
At 1 July 2016	
Cost	17,402
Accumulated amortisation	(16,645)
Net book value	757
Six months ended 31 December 2016	
Opening net book value	757
Amortisation charge *(Note 7)*	(296)
Closing net book value	461
At 31 December 2016	
Cost	17,402
Accumulated amortisation	(16,941)
Net book value	461
Year ended 31 December 2017	
Opening net book value	461
Amortisation charge *(Note 7)*	(461)
Closing net book value	–
At 31 December 2017	
Cost	17,402
Accumulated amortisation	(17,402)
Net book value	–

Amortisation charge of HK$461,000 (Six months ended 31 December 2016: HK$296,000) are included in "research and development expenditures".

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Financial assets at fair value through other comprehensive income		
– Available-for-sale financial asset	**1,462**	–
Financial assets at amortised cost		
– Trade and other receivables (excluding prepayments)	**1,331**	2,208
– Restricted bank deposits	**15,607**	–
– Cash and cash equivalents	**86,067**	49,460
	103,005	51,668
	104,467	51,668
Liabilities		
Financial liabilities at amortised cost		
– Trade and other payables (excluding other tax payables and receipt in advance)	**59,388**	2,759

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Unlisted equity securities	**1,462**	–

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

The available-for-sale financial asset is denominated in US$.

17 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	1,052	1,639
Provision for impairment	(64)	(99)
	988	1,540
Deposits and other receivables	343	668
Financial assets at amortised cost	1,331	2,208
Prepayments	642	546
Total trade and other receivables	1,973	2,754

The majority of the Group's sales are made on cash basis. The remaining amounts are made with credit terms of 30 days. At 31 December, the ageing analysis of the trade receivables based on due date were as follows:

	2017 HK$'000	2016 HK$'000
Current and less than 1 month	697	1,231
1 to 3 months	291	309
	988	1,540

(a) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 90 days overdue).

17 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Impaired trade receivables *(continued)*

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses and subsequent recoveries of amounts previously written off are recognised in statement of comprehensive income within "administrative expenses".

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of the year/period	**99**	11
Provision for impairment recognised	**–**	94
Unused amount reversed	**(21)**	–
Exchange differences	**(14)**	(6)
At ending of the year/period	**64**	99

Amounts recognised in statement of comprehensive income

During the year/period, the following gains/(losses) were recognised in the statement of comprehensive income in relation to impaired receivables.

	2017	2016
	HK$'000	*HK$'000*
Impairment losses		
– (Reversal of)/provision for impairment *(Note 7)*	**(21)**	94

17 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Past due but not impaired

As at 31 December 2017, trade receivables of HK$767,000 (2016: HK$1,045,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 3 months	**767**	1,045

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

18 INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**360**	768
Finished goods	**102,308**	792
	102,668	1,560

Cost of inventories sold of HK$89,196,000 (Six months ended 31 December 2016: HK$5,026,000), inventory provision of HK$430,000 (Six months ended 31 December 2016: reversal of HK$532,000) and write off of inventories amounted to HK$164,000 (Six months ended 31 December 2016: HK$853,000) are recognised as expenses and included in "cost of sales" during the year ended 31 December 2017.

19 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash on hand	43	4
Cash at bank	86,024	49,456
	86,067	49,460

20 SHARE CAPITAL

	Note	Number of shares 2017 '000	Number of shares 2016 '000	Share capital 2017 HK$'000	Share capital 2016 HK$'000
Ordinary shares					
Fully paid	*(b)*	23,434	836,921	4,687	3,348

(a) Movement in ordinary shares

	Note	Number of shares '000	Share capital HK$'000
Balance at 1 July 2016 and 31 December 2016		836,921	3,348
Share consolidation	*(d)*	(820,183)	–
Rights issue	*(e)*	6,696	1,339
Balance at 31 December 2017		**23,434**	**4,687**

(b) Ordinary shares

Ordinary shares have a par value of HK$0.20 (after the effect of share consolidation *(Note 20(d))*). They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

The Company has a limited amount of authorised capital of HK$80,000,000.

(c) Options

Information relating to the 2016 Option Scheme is set out in Note 23.

20 SHARE CAPITAL *(continued)*

(d) Share consolidation

On 6 February 2017, the Company consolidated every fifty issued and unissued shares of HK$0.004 each into one consolidated share of HK$0.20 each. After the event of share consolidation, the total number of issued shares reduced to 16,738,417 (before issuance of rights shares on 20 October 2017).

(e) Rights issue

On 4 September 2017, the Company invited its shareholders to subscribe to a rights issue of 6,695,366 ordinary shares at an issue price of HK$15.00 per share on the basis of 2 share for every 5 fully paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 20 October 2017. The issue was fully subscribed. The net proceeds from Rights Issue amounted to HK$98,428,000, after deducting the directly attributable expenses. HK$1,339,000 of the net proceeds was recognised as share capital, and the remaining HK$97,089,000 was recognised as share premium *(Note 21)*.

21 OTHER RESERVES

The following table shows a breakdown of the statement of financial position line item "other reserves" and the movements in these reserves during the year/period. A description of the nature and purpose of each reserve is provided below the table.

	Notes	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Total HK$'000
At 1 July 2016		85,917	50	14,990	100,957
Other comprehensive income for the period					
Exchange differences on translation of foreign operations		–	103	–	103
At 31 December 2016		85,917	153	14,990	101,060
Other comprehensive income for the year					
Exchange differences on translation of foreign operations		–	97	–	97
Transactions with owners in their capacity as owners:					
Contributions from rights issue net of transaction costs	*20(e)*	97,089	–	–	97,089
At 31 December 2017		**183,006**	**250**	**14,990**	**198,246**

21 OTHER RESERVES *(continued)*

(a) Nature and purpose of other reserves

Special reserve

The special reserve of the Group represents the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired pursuant to a group reorganisation in April 2001 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 2.5 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to statement of comprehensive income when the net investment is disposed of.

22 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Beginning balance	**(41,078)**	(33,561)
Loss for the year/period	**(13,210)**	(7,517)
Ending balance	**(54,288)**	(41,078)

23 SHARE-BASED PAYMENT

Share Option Scheme adopted on 11 November 2016 (the "2016 Option Scheme")

Pursuant to a resolution passed on 11 November 2016, the 2016 Option Scheme was adopted to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees for a term of ten years. The Board of the Company may at its discretion grant options to any employees, including Executive and Non-Executive Directors, consultants, advisers, substantial shareholders, distributors, agents, contractors, suppliers, customers, business partners and service providers of the Group to subscribe for shares in the Company.

23 SHARE-BASED PAYMENT *(continued)*

Share Option Scheme adopted on 11 November 2016 (the "2016 Option Scheme") *(continued)*

The total number of shares in respect of which options may be granted under the 2016 Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Option may be granted at a consideration of HK$1 and should be accepted within seven days from the date of grant. Options may be exercised at any time during the period as the Board may determine which shall not exceed ten years from the date of grant. The subscription price is determined by the Board and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Daily Quotation Sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of the Company's share.

No share options were granted since the date of adoption of the 2016 Option Scheme.

24 TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**56,633**	624
Receipt in advance	**6,883**	200
Other tax payables	**3,454**	35
Accruals and other payables	**2,755**	2,135
	69,725	2,994

24 TRADE AND OTHER PAYABLES *(continued)*

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. At 31 December, the ageing analysis of the trade payables based on payment due date were are follows:

	2017	2016
	HK$'000	*HK$'000*
Current and less than 1 month	**56,617**	585
1 to 3 months	**14**	–
Over 3 months	**2**	39
	56,633	624

As as 31 December 2017, the Group had a bank facility for a standby line of credit to a vendor of the Group amounting to US$4,000,000 (equivalent to approximately HK$31,213,000) (2016: Nil). The facility are secured by a restricted bank deposit of US$2,000,000 *(Note 30)* and corporate guarantees given by the Company.

25 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**1,317**	86
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(1,317)**	(86)
Deferred tax assets/(liabilities), net	**–**	–

25 DEFERRED INCOME TAX *(continued)*

25.1 Deferred tax assets

The balance comprises temporary differences attributable to:

	2017	2016
	HK$'000	*HK$'000*
Tax losses	**1,317**	86

Movements

	Tax losses
	HK$'000
At 1 July 2016	136
Charged to profit or loss	(50)
At 31 December 2016	86
Credited to profit or loss	1,231
At 31 December 2017	**1,317**

25.2 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2017	2016
	HK$'000	*HK$'000*
Accelerated tax depreciation	**1,317**	10
Capitalised development costs	**–**	76
	1,317	86

25 DEFERRED INCOME TAX *(continued)*

25.2 Deferred tax liabilities *(continued)*

Movements

	Accelerated tax depreciation *HK$'000*	Capitalised development costs *HK$'000*	Total *HK$'000*
At 1 July 2016	11	125	136
Credited to profit or loss	(1)	(49)	(50)
At 31 December 2016	10	76	86
Charged/(credited) to profit or loss	1,307	(76)	1,231
At 31 December 2017	**1,317**	**–**	**1,317**

26 DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (Six months ended 31 December 2016: Nil).

27 CASH FLOW INFORMATION

Cash used in operations

	Note	**Year ended 31 December 2017** ***HK$'000***	Six months ended 31 December 2016 *HK$'000*
Loss before income tax		**(12,892)**	(7,535)
Adjustments for:			
Amortisation of capitalised development costs	*14*	**461**	296
Depreciation of property, plant and equipment	*13*	**1,242**	60
Provision/(reversal of provision) on inventories	*18*	**430**	(532)
Write off of inventories	*18*	**164**	853
(Reversal of provision on)/provision on trade receivables	*17*	**(21)**	94
Interest income from bank deposits	*6*	**(3)**	(2)
Loss on disposal of property, plant and equipment		**68**	35
Change in operating assets and liabilities		**(10,551)**	(6,731)
(Increase)/decrease in inventories		**(101,912)**	1,020
Decrease/(increase) in trade and other receivables		**794**	(108)
Increase in trade and other payables		**67,579**	355
Cash used in operations		**(44,090)**	(5,464)

27 CASH FLOW INFORMATION *(continued)*

Cash used in operations *(continued)*

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2017	2016
	HK$'000	HK$'000
Net book amount *(Note 13)*	71	35
Loss on disposal of property, plant and equipment *(Note 7)*	(68)	(35)
Proceeds from sale of property, plant and equipment	3	–

28 CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

29 NON-CANCELLABLE OPERATING LEASES COMMITMENT

The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	638	1,056
Later than one year but not later than five years	–	473
	638	1,529

30 ASSETS PLEDGED AS SECURITY

	2017	2016
	HK$'000	HK$'000
Restricted bank deposits	15,607	–

As at 31 December 2017, a bank deposit of approximately US$2,000,000 (equivalent to approximately HK$15,607,000) was pledged to a bank for bank facility amounting to US$4,000,000 (equivalent to approximately HK$31,213,000) granted to the Group (2016: Nil).

31 RELATED PARTY TRANSACTIONS

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of Incorporation	Ownership interest	
			2017	2016
Foxconn (Far East) Limited	Ultimate parent entity *(Note)* and controlling party	Cayman Islands	**50.58%**	50.07%
Hon Hai Precision Industry Co. Ltd.	Immediate parent entity	Taiwan	**50.58%**	50.07%

Note: Foxconn (Far East) Limited holds 100% of the issued ordinary shares of Hon Hai Precision Industry Co. Ltd..

(b) Key management personnel compensation

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

	2017	2016
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,120**	337

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2017	2016
	HK$'000	*HK$'000*
Provision of services		
Provision of general administrative services from a fellow subsidiary and the ultimate holding company	**177**	–
Operating lease charges paid to fellow subsidiaries in respect of warehouse and office	**451**	–

The above transactions were conducted at negotiated prices between transacting parties.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current asset			
Investments in subsidiaries		**10**	10
Amounts due from subsidiaries		**141,870**	–
		141,880	10
Current assets			
Prepayments and deposits		**309**	228
Amounts due from subsidiaries		**–**	38,810
Cash and cash equivalents		**151**	12,027
		460	51,065
Total assets		**142,340**	51,075
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**4,687**	3,348
Share premium	*(a)*	**183,006**	85,917
Accumulated losses	*(a)*	**(46,789)**	(39,993)
Total equity		**140,904**	49,272
Liabilities			
Current liabilities			
Accruals		**1,436**	1,803
Total equity and liabilities		**142,340**	51,075

The statement of financial position of the Company was approved by the Board of Directors on 9 March 2018 and was signed on its behalf

Dr. Woo Kwok Fai Louis	**Mr. Cheng Michael Ichiang**
Director	*Director*

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2016	85,917	(23,734)	62,183
Loss for the period	–	(16,259)	(16,259)
At 31 December 2016	85,917	(39,993)	45,924
At 1 January 2017	85,917	(39,993)	45,924
Loss for the year	–	(6,796)	(6,796)
Transactions with owners in their capacity as owners:			
Contributions from rights issue net of transaction costs *(Note 20(e))*	97,089	–	97,089
At 31 December 2017	**183,006**	**(46,789)**	**136,217**

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June			Six months ended 31 December	**Year ended 31 December**
	2014	2015	2016	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	37,513	28,941	26,070	9,530	**98,966**
Loss before income tax	(6,635)	(7,937)	(8,755)	(7,535)	**(12,892)**
Income tax expense	–	–	–	–	**(322)**
Loss for the year/period	(6,635)	(7,937)	(8,755)	(7,535)	**(13,214)**
Loss for the year/period attributable to:					
– Owners of the Company	(6,548)	(7,843)	(8,693)	(7,517)	**(13,210)**
– Non-controlling interests	(87)	(94)	(62)	(18)	**(4)**
	(6,635)	(7,937)	(8,755)	(7,535)	**(13,214)**

ASSETS AND LIABILITIES

	At 30 June			At 31 December	**Year ended 31 December**
	2014	2015	2016	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	***HK$'000***
Total assets	31,756	80,176	72,907	65,862	**218,188**
Total liabilities	(2,435)	(1,908)	(2,639)	(2,994)	**(70,047)**
	29,321	78,268	70,268	62,868	**148,141**
Capital and reserves attributable to:					
– Owners of the Company	29,760	78,763	70,744	63,330	**148,645**
– Non-controlling interests	(439)	(495)	(476)	(462)	**(504)**
	29,321	78,268	70,268	62,868	**148,141**