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)

2018 ANNUAL REPORT

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*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.*

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CORPORATE INFORMATION

As at the date of this report

BOARD OF DIRECTORS

Executive Directors

Dr. Woo Kwok Fai Louis
(Chairman and Chief Executive Officer)
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

COMPANY SECRETARY

Mr. Tam Hoi Kwong

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

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street, Causeway Bay
Hong Kong

PRINCIPAL BANKER

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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's Building
Central
Hong Kong

LEGAL ADVISOR

Iu, Lai & Li Solicitors & Notaries
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 2018.

BUSINESS REVIEW

We addressed the commoditisation of 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, Europe and Africa. The Group's revenue amounted to approximately HK$299.1 million, representing an approximately 200% increase as compared to that of the year ended 31 December 2017. The Group recorded a decrease in gross profit margin from 8.2% for the year ended 31 December 2017 to 5.0% for the year ended 31 December 2018 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 additional third party IT lines. Administrative expenses increased by 33.2%, which was mainly due to the recognition of foreign currency exchange losses arising from the depreciation of the Euro, an one-off professional fee in pursuing strategic investments to expand the Group's capability in "circular economy" and the employment of seasoned professional staff to support business growth across all segments during the period.

OUTLOOK

We expect the Group will face keen competition in its operation. The Group is committed to continuously develop new technologies for targeted market segment in order to deepen relationship with our customers and partners thus improving profitability. Building upon the foundation and experience gained in 2018, the Group will allocate resources to distribution business and repairs and support services of focused IT products over the coming quarters. We may also execute capital expenditure plans to expand our capability in "green technology" over the coming quarters to pursue "circular economy" in the areas of repair, recover, remarket and recycle.

As previously reported, we are continuously strengthening our management team, expanding our international footprint and broadening our customer base; and we anticipate additional fundraising may from time to time be required to support the working capital expenditure for such business growth. This entails investment in expanding and revamping overseas organisation structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

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, 22 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in the sales and distribution of IT products, and the provision of repairs and other service support of IT products. The Group offers a comprehensive and wide range of video surveillance products which have unique technologies, including five layers hacker resistance and best-in-class video compression technology developed by the Group. These technologies are complementary to one another, and provide customers dedicated cost efficient solutions. Although the video surveillance systems industry is highly competitive, in particular, the Group directly and indirectly competes with large global vendors in form of pricing, range of services provided and information technology, the Group is committed to continuously developing new technologies for targeted market to strengthen its market position thus improving profitability. The Group has also addressed the commoditisation of video surveillance systems by further broadening its products offering through introduction of additional third party IT products distributed through its well established network covering the North America, Asia, Europe and Africa. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

Segment information by business line

During the year ended 31 December 2018, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for approximately 99.9% of the revenue. For the year ended 31 December 2018, the Group continued to achieve robust growth in the segment of sales and distribution of IT products, and the revenue generated from this segment increased by approximately 200% as compared to that of the year ended 31 December 2017. The revenue from sales and distribution of IT products consisted of video surveillance products carrying our own brand name and third-party IT products. The revenue growth of this segment is attributable to the increase of volume of goods sold driven by the rapid expansion of North American market fuelled by our expanded range of third-party branded product offerings.

	Year ended 31 December 2018	Year ended 31 December 2017
	HK$'000	*HK$'000*
Sales and distribution of IT products	**298,728**	98,950
Repairs and service support	**381**	16
	299,109	98,966

The 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 continues to seek potential business opportunities to expand its service support business by sourcing spare parts of electronic products for target customers, which included renowned IT brands and their service centers.

Segment information by geographical location

	Year ended 31 December 2018 *HK$'000*	Year ended 31 December 2017 *HK$'000*
North America	**189,990**	50,634
Europe	**69,415**	27,624
Asia	**37,953**	19,100
Africa	**1,678**	1,502
Other	**73**	106
	299,109	98,966

During the year ended 31 December 2018, the North America, Europe and Asia continued to be the top three markets of the Group in terms of their respective contribution to the revenue of the Group. The North America market continued to be the largest market of the Group which contributed approximately 63.5% (2017: 51.2%) of the Group's revenue for the year ended 31 December 2018. Europe continued to be the second largest market of the Group which contributed approximately 23.2% (2017: 27.9%) of the Group's revenue for the year ended 31 December 2018. Asia contributed approximately 12.7% (2017: 19.3%) of the Group's revenue for the year ended 31 December 2018.

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 new products, including timeMAX solution 2.0, bandwidthMAX solution 2.0, Analogue HD 4K AHD Solution and certain new cameras to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market. A unique hacker resistant technology is incorporated into a range of product which is designed to prevent hackers from extracting confidential video data from security camera, giving users a peace of mind.

In the meantime, building upon the foundation and experience of the management team in international distribution, the Group has further expanded its consumer electronics products offering in multi-jurisdictions that are complementary to its current business offering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS RISK RELATING TO THE GROUP

The Group may not be able to keep up with technological changes in the video surveillance industry in order to remain competitive

The Group has continuously invested in research and development to develop updates and new products in order to maintain the Group's competitive edge in the market. The performance of the Group depends on the Group's ability to develop updates to its existing products and to develop new products, which in turn is determined by the Group's research efforts to develop technologies which keep up with the latest technological trends in the industry and the Group's timely recruitment of personnel with the relevant skills, The effect of emerging and future technological changes in relation to product specifications to the Group's research and development plans or the level of technologies is unpredictable.

In addition, our competitors may develop technologies and products that are superior to ours in terms of quality and/or price. Failure to respond to the technological developments and maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

The Group's insurance may be insufficient to cover all losses associated with its business operations

The Group maintains insurance policies against loss or damage to its office and business interruption, public liability and employees' compensation. The insurance coverage may be insufficient to cover all the risks associated with the Group's business and operations in the future. In the case of an uninsured loss or a loss in excess of insured limit, including those caused by natural disasters and other events beyond the Group's control, the Group may be required to pay for losses, damages and liabilities out of its own funds, which could materially and adversely affect its business, financial condition and results of operations. Even if the insurance coverage is adequate to cover its direct losses, the Group may need to be responsible for the indirect losses. Furthermore, claim records of the Group may affect the premiums which insurance companies charge in the future.

Despite of the above, the Group considers that the current insurance coverage is sufficient for its existing operation scale and the Group will review its insurance policies from time to time.

BUSINESS OUTLOOK

Building upon the foundation and experience gained in 2018, we expect the segments to which the Group operates will continue to be competitive. To maintain its competitive edge in this tough business environment, the Group will allocate resources to distribution business and circular economy of focused IT products over the coming quarters. We may also execute capital expenditure plans to expand our capability in "circular economy" over the coming quarters.

We expect the Group will face keen competition in its video surveillance system product business and the Group is committed to continuously developing new technologies for targeted market in order to deepen relationships with our customers and partners thus improving profitability.

The Group will continuously strengthen the management team, expand the international footprint and broaden our customer base. The management anticipates additional fundraising may from time to time be required to support the working capital expenditure for such business growth. This entails investment in expanding and revamping overseas organisation structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

FINANCIAL REVIEW

Revenue

The Group mainly engages in two business segments, namely, i) sales and distribution of IT products; and ii) repairs and services support. The Group's total revenue amounted to approximately HK$299,109,000 for the year ended 31 December 2018, representing an increase of approximately 200% as compared to that of approximately HK$98,966,000 for the year ended 31 December 2017. The business volume growth was attributable to the rapid expansion of North American markets fuelled by our expanded range of third-party branded product offerings.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the increase in business volume, the cost of sales for the year ended 31 December 2018 increased to approximately HK$284,271,000, representing an increase of approximately 213%, as compared to that of approximately HK$90,803,000 for the year ended 31 December 2017. Provision of inventories, included in the cost of sales, increased to approximately HK$1,517,000 for the year ended 31 December 2018 as compared to that of approximately HK$430,000 for the year ended 31 December 2017 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK$6,675,000 to approximately HK$14,838,000 for the year ended 31 December 2018, which was in line with the business volume growth. However, the overall gross profit margin decreased from 8.2% for the year ended 31 December 2017 to 5.0% for the year ended 31 December 2018 due to the distribution of third-party IT products which generated a lower profit margin when compared to the video surveillance products carrying our brand name.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

During the year ended 31 December 2018, administrative expenses increased by approximately 33.2% to approximately HK$22,081,000 (2017: HK$16,579,000). The increase was mainly due to the recognition of foreign currency exchange losses arising from the depreciation of the Euro, an one-off professional fee in pursuing strategic investments to expand the Group's capability in "circular economy" and the employment of seasoned professional staff to support business growth across all segments.

Net loss for the year

Despite the improvement in revenue and gross profit, the Group recorded a loss of approximately HK$14,606,000 for the year ended 31 December 2018 (2017: a loss of approximately HK$13,214,000) primarily attributable to the increase in administrative expenses, The loss per share for the year ended 31 December 2018 was HK cents 62.31 (2017: loss per share of HK cents 67.00).

Inventories and trade receivables

As at 31 December 2018, the inventory level decreased by approximately 88.0% to approximately HK$12,327,000 (31 December 2017: HK$102,668,000). The significant reduction in inventory balances was attributable to strengthened inventory management control by reducing the inventory turnover days, which helps free investment capital and reduce inventory holding and handling costs.

Trade receivables increased by approximately 487% to approximately HK$5,801,000 as at 31 December 2018 (31 December 2017: HK$988,000). Such increase in trade receivables was attributable to new credit line granted to customers. During the year ended 31 December 2018, the customers of the Group maintain good credit history and no material impairment of trade receivables is recognised.

Key financial performance

The above financial data were chosen to be presented in this annual report as they represent a material financial impact on the consolidated financial statements of the Group for the current financial year and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that the Group can effectively explain the financial performance of the Group for the year by presenting the changes of these financial data.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

DIVIDEND POLICY

The Company does not have fixed dividend policy. It shall consider, the following factors before declaring or recommending dividends:

- the general financial condition of the Group;
- the Group's actual and future operations and liquidity position;
- the Group's expected working capital requirements and future expansion plans;
- the Group's debt to equity ratios and the debt level;
- the restrictions on payment of dividends that may be imposed by the Group's lenders (if any);
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Declaration of dividend by the Company is also subject to any restrictions under the Laws of Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulation.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2018, the Group employed 22 (31 December 2017: 23) full time employees in Hong Kong and 7 (31 December 2017: 8) full time employees in the People's Republic of China and overseas offices. The staff costs of the Group, including directors' emoluments, employees' salaries and commission, retirement benefits schemes contributions and other benefits amounted to approximately HK$12,890,000 for the year ended 31 December 2018 (2017: HK$10,690,000).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2018, 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 2018, the Group had net current assets of approximately HK$107,206,000 (31 December 2017: HK$136,268,000) and cash and cash equivalents amounted to approximately HK$72,369,000 (31 December 2017: HK$86,067,000). The Group had no borrowings outstanding as at 31 December 2018.

As at 31 December 2018, the gearing ratio, which is calculating on the basis of total borrowings over total equity of the Group, was 0% (2017: 0%).

CAPITAL STRUCTURE

As at 31 December 2018, 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 2018.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investments during the year ended 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

Other than the acquisition of an associate as disclosed in Note 11 of the consolidated financial statements, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2018.

CHARGE OF ASSETS

As at 31 December 2018, a bank deposit of US$4,000,000 (equivalent to approximately HK$31,220,000) was pledged to a bank for the bank facility amounting to US$8,000,000 (equivalent to approximately HK$62,440,000) granted to the Group (31 December 2017: US$4,000,000 equivalent to approximately HK$31,213,000). Such bank facility was drawn by the Group to issue a standby letter of credit to a vendor in the financial year ended 31 December 2018.

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 business 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.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, Taiwan, US and Europe with most of the transactions settled in HK$, United States dollars ("USD") and Euro. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to USD and Euro. The Management has a policy to manage the foreign exchange risk against the functional currencies of the Group. It mainly includes managing the foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and would consider the use of foreign exchange contracts to manage our foreign exchange risks, where appropriate. The Group did not entered into any derivative financial instruments for the year ended 31 December 2018. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2018 (2017: Nil).

CONTINGENT LIABILITIES

As of 31 December 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

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. With reference to the circular dated 26 September 2017 and the announcement dated 28 March 2018, the details of the proposed use of proceeds and the actual use of proceeds are as follows:–

	Originally proposed and revised use of proceeds from the Rights Issue *HK$'000*	**Amount utilised up to 31 December 2018** ***HK$'000***	**Amount unutilised as at 31 December 2018** ***HK$'000***	**Expected time of full utilisation of the remaining balance**
Expansion of the repairs and service support business	7,600	**1,871**	**5,729**	**Third quarter in 2020**
Development of IT products trading business	73,000	**73,000**	**–**	**N/A**
Strategic investment in the business segment of "circular economy"	17,800	**17,800**	**–**	**N/A**
	98,400	**92,671**	**5,729**	

As previously disclosed in the announcement dated 28 March 2018, HK$50 million of the proceeds from the rights issue originally intended for "the expansion of the repairs and service support business" (Service Support Business) was reallocated to the "development of IT products trading business" (Distribution Business).

Up to 31 December 2018, an accumulated amount of approximately HK$1,871,000 has been applied to expand 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 2018, the proceeds of HK$73,000,000 for the development of the Group's existing IT products trading business were fully utilised.

Up to 31 December 2018, the proceeds of HK$17,800,000 for the strategic investment in the business segment of "circular economy" were fully utilised. The Group completed an acquisition of 21% of the issued share capital of 4Square Return GmbH. 4Square Return GmbH engaged in compliance consulting, the provision of take back services and value recycling economy for the electronics industry. The Group considers that such investment would enable the Group to enhance its exposure in green technology and enhance the Group's business profile.

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 71, 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.

Ms. Chen Ching-Hsuan (陳靜洵) ("**Ms. Chen**"), aged 56, 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 65, 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 63, 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.

PROFILE OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Hung Peter（楊偉雄）(“**Mr. Yeung**”), aged 61, was appointed as an independent non-executive Director on 10 June 2016. He was 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, from February 2011 to June 2018. 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 28 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 60, 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 44, 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.

COMPANY SECRETARY

Mr. Tam Hoi Kwong (譚凱光) ("**Mr. Tam**"), aged 31, 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 eight 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.

SENIOR MANAGEMENT

Mr. Ho Ka Ho (何家豪) ("**Mr. Ho**"), aged 47, is the chief executive officer of the video surveillance business line. Mr. Ho has over 24 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 2018.

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 2018 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 2018 are set out in the consolidated statement of comprehensive income on page 49.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2018 amounted to HK$15,000 (2017: HK$15,000).

SHARES ISSUED IN THE YEAR

No shares were issued in the year ended 31 December 2018. Reference is made to Note 22 to the consolidated financial statements.

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 2018 or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2018 comprise of share premium, and accumulated loss in aggregate amounted to HK$118,956,000 (2017: HK$136,217,000) 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 132 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.

An offer for the grant if options must be accepted within seven days, inclusive of the day on which such offer was made. 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.

The share option scheme does not specify a minimum period for which an option must be held. 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 ten 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 25 to the consolidated financial statements. No share options were granted under the share option scheme since its adoption.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Dr. Woo Kwok Fai Louis *(Chairman and Chief Executive Officer)*
Ms. Chen Ching-Hsuan
Mr. Cheng Michael Ichiang
Mr. Chin Yin-Shen (resigned on 6 July 2018)

Non-executive Director

Mr. Hong Sung-Tai

Independent Non-executive Directors

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

Mr. Chin Yin-Shen resigned as an executive Director with effect from 6 July 2018. He confirmed that he has 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.

Dr. Woo Kwok Fai Louis, Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben will retire from office as a Director in accordance with Article 87(1) of the articles of association. They, being eligible, offers themselves 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 32(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 2018 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 15 to 17 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 2018

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 2018, 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	42.12%
– five largest suppliers in aggregate	98.08%
Sales	
– the largest customer	50.91%
– five largest customers in aggregate	82.86%

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

A summary of the material related party transactions entered into by the Group during the year ended 31 December 2018 is contained in Note 32 to the consolidated financial statements. None of the transactions described therein falls under the definition of connected transactions which are not fully exempted from shareholders' approval, annual review and all disclosure requirement under Chapter 20 of the GEM Listing Rules.

SIGNIFICANT CONTRACTS

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 2018. 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.

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 confirmation 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 2018, 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 may 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 25 to 35.

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 2018.

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 2018.

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 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 31 May 2018.

Resignation of Joint Company Secretary

Ms. Wong Sau Ping ("**Ms. Wong**") resigned as the joint company secretary of the Company with effect from 31 August 2018. Following Ms. Wong's resignation as a joint company secretary, Mr. Tam Hoi Kwong, the remaining joint company secretary of the Company acts as the sole company secretary of the Company.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end date, the Group entered into an equipment lease agreement with a related party for leasing of machinery at a quarterly lease payment of HK$600,000 for a period of 3 years.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 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 by the Group can be found in Note 3 to the consolidated financial statements. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 9 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 2018 have been audited by PricewaterhouseCoopers who will retire and, being eligible, will offer themselves for re-appointment in the forthcoming annual general meeting.

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

Hong Kong, 22 March 2019

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

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 of 7 Directors, consisting of 3 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)
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.

Nomination and Board Diversity

The Nomination Committee is primarily responsible for identifying and nominating, for approval by the Board, suitably qualified candidates to become members of the Board as additional directors or to fill casual vacancies.

The Nomination Committee identifies candidates for directorship from various channels, including but not limited to internal promotion, referral by management and external recruitment agents. The Nomination Committee may also receive nomination of candidates for election as Director(s) from shareholder(s).

After the candidates are identified, the Nomination Committee will consider the biographical information of the candidates and evaluate the candidates based on certain criteria and make recommendation to the Board accordingly.

A range of factors are taken into consideration to identify a suitably qualified candidate. These include:–

- character and integrity of the candidate;

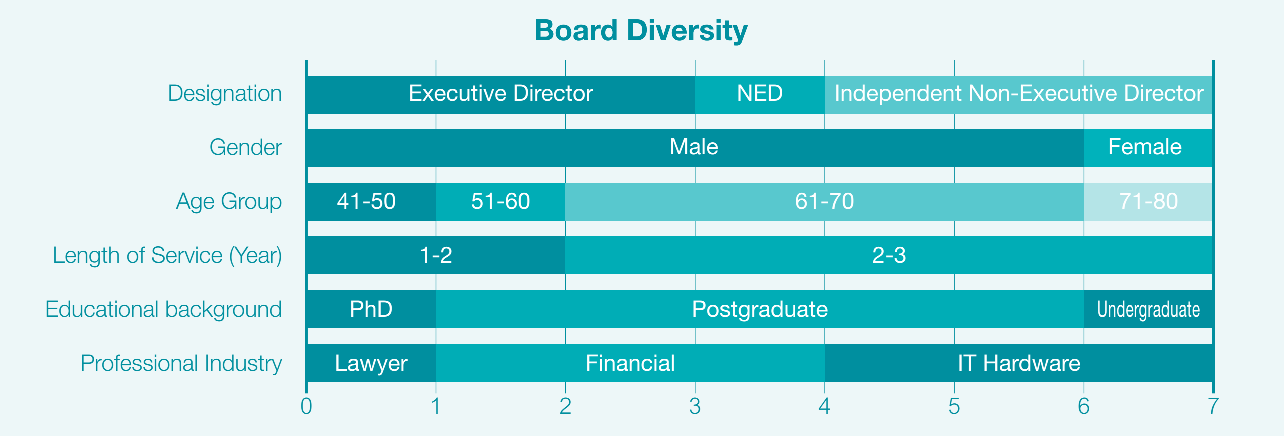
- educational background, qualifications (including professional qualifications), knowledge and experience of the candidate which are relevant to the business and operation of the Group;

- time commitment of the candidate to the Group, taking into consideration the other duties of the candidates; and

- the board diversity policy of the Company.

The Company recognises and embraces the benefits of having a diverse Board to the quality of its performance. The board diversity policy is put into place aiming to set out some guidelines for the composition of the Board in order to achieve diversity in the Board. The Company aims to have a diverse Board composition measurable by objective criteria, including gender, age, length of services in the Group, educational background and professional qualifications. Given the nature of the business of the Group, the Company considers that it is beneficial for the Board to have some members with experience and qualification in the information technology industry, in addition to members with financial and legal qualification.

As at the date of this report, the Board's composition under major diversified perspectives was summarised as follows:



The Company will continue to use its best efforts to maintain a diverse Board measurable by objectives which are appropriate to the needs of the Company's business. Appointment to the Board will be based on merit and contribution a candidate may bring to the Board, having due regards for the benefits of diversity on the Board.

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 2018.

Dr. Woo Kwok Fai Louis, Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben will retire from office as a Director in accordance with Article 87(1) of the articles of association. They, being eligible, offers themselves 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, upon evaluating the respective Director against the selection criteria mentioned above and the independence of Mr. Yeung and Mr. Miao.

Board Meetings, Committee Meetings and General Meetings

The Board has held regular meetings at approximately bimonthly intervals with participation by a majority of Directors.

During the year ended 31 December 2018, 6 Board meetings, 4 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Nomination Committee meeting 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)*	0/1	0/1	4/6	N/A	0/1	N/A
Mr. Chin Yin-Shen*	0/1	1/1	0/4	N/A	N/A	N/A
Ms. Chen Ching-Hsuan	0/1	1/1	4/6	N/A	N/A	N/A
Mr. Cheng Michael Ichiang	1/1	1/1	6/6	N/A	1/1	1/1
Non-executive Director						
Mr. Hong Sung-Tai	0/1	0/1	0/6	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yeung Wai Hung Peter *(Chairman of the Remuneration Committee)*	1/1	0/1	3/6	2/4	1/1	1/1
Mr. Li Robin Kit Ling *(Chairman of the Audit Committee)*	1/1	1/1	6/6	4/4	1/1	1/1
Mr. Miao Benny Hua-ben *(Chairman of the Nomination Committee)*	0/1	0/1	5/6	4/4	1/1	1/1

* *resigned on 6 July 2018*

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.

Directors	Type of continuous professional development programmes
Dr. Woo Kwok Fai Louis	B
Ms. Chen Ching-Hsuan	A, B
Mr. Cheng Michael Ichiang	A, B
Mr. Hong Sung-Tai	B
Mr. Li Robin Kit Ling	A, B
Mr. Yeung Wai Hung Peter	A, B
Mr. Miao Benny Hua-ben	A, B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

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 2018, 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.

Code provision A.2.7. stipulated that the chairman should at least annually hold a meeting with the independent non-executive directors without the other directors present. During the year ended 31 December 2018, despite a formal meeting could not be arranged between the Chairman of the Board and the independent non-executive Directors without the other Directors present due to their tight schedules, the independent non-executive Directors may communicate with the Chairman of the Board directly at any time to voice their opinions and share their views on the Company's affairs. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and the independent non-executive Directors.

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 2018.

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 2018, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben, all of them are independent non-executive directors. 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 quarterly, interim and annual results of the financial year of 2018, including the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity and related notes thereto for the year ended 31 December 2018 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 2018, 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 and Mr. Cheng Michael Ichiang (each an executive Director). The Remuneration Committee held one meeting 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 2018, members of the Nomination Committee were Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling (each an independent non-executive Director) and Mr. Cheng Michael Ichiang (an executive Director). The Nomination Committee held one meeting 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 19 April 2018 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 2018, 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.

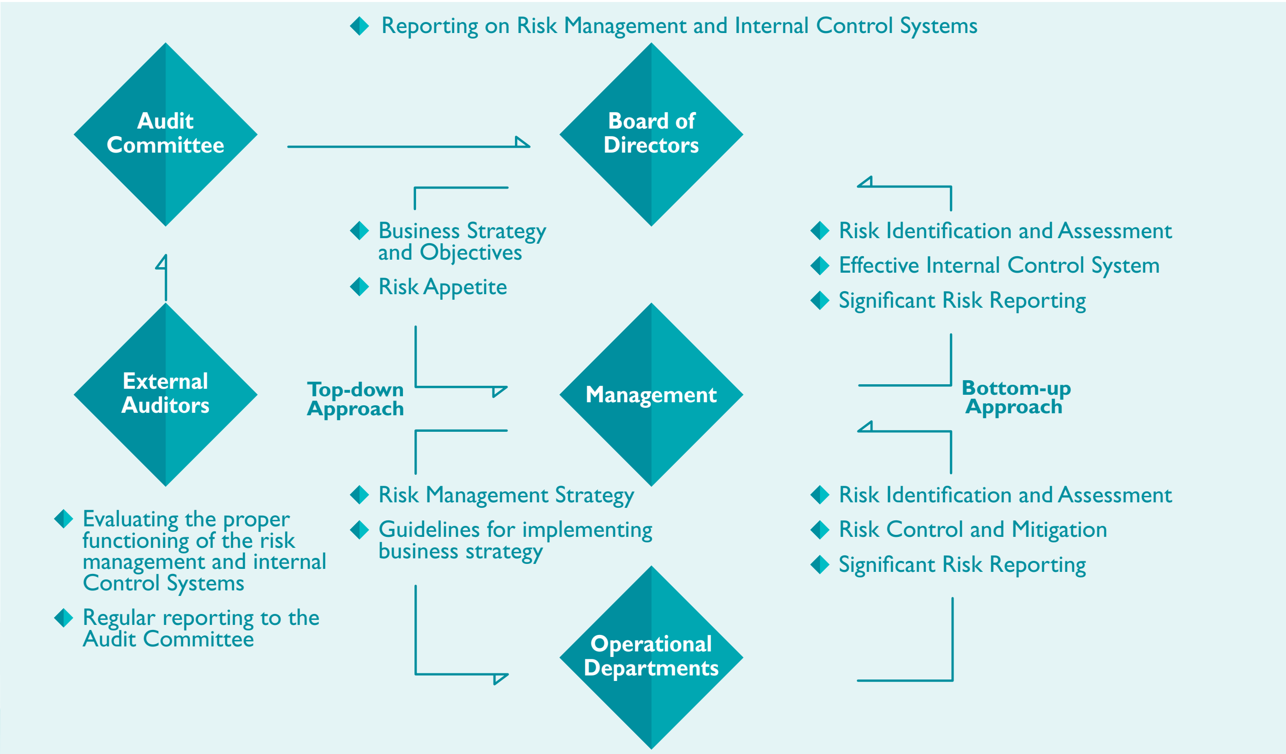
In order to continually improve the Group's internal control and risk management system, the Group has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures that the Group has established and implemented are summarised as 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 2018, 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 2018. 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 2018, 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 including interim review services to the Company.

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

	HK$
Audit and interim review services	1,100,000

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 31/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 investing 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 2018, 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 2018 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 ESG report 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: 24.87 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 continued to used LED lighting system, 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 49,741 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. For the year ended 31 December 2018, the Group is not aware of 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 places high regard to the compliance of 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.

During the year ended 31 December 2018, the Group is not aware of any non-compliance with the laws, regulations and policies relating to employment and labour practices that have a significant impact on the Group. The Group contributes to social insurances, housing fund and mandatory provident fund in a timely manner for all the staff.

As at 31 December 2018, the Group employed 29 full time staff in total, and the combination of the gender and age group of the staff are as follows:

Category	Number of Employees
Gender	Male: 19 Female: 10
Age Group	Over 18-30: 8 31-40: 10 41-50: 10 51-60: 1
Geographic location	Hong Kong: 22 Overseas: 7

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

Category	Percentage of Employees
Gender	Male: 21% Female: 10%
Age Group	Over 18-30: 14% 31-40: 14% 51-60: 3%
Geographic location	Hong Kong: 24% Overseas: 7%

Health and Safety

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. There were no work-related fatalities and reported lost days due to work related injuries during the year. During the year ended 31 December 2018, the Group is not aware of any non-compliance with the relevant health and safety laws and regulation that have a significant impact on the Group.

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 workshops. 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: 67% Female: 33%
Employee Category	General staff: 96% Senior management: 4%

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

Category	Number of training hours
Gender	Male: 13.4 hours Female: 11.7 hours
Employee Category	General staff: 12.5 hours Senior management: 9.0 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, which mainly include 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 are 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 and 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 42% and 98%, 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 2018, the Group did not receive any complaints or requests to terminate relationship due to poor quality and safety. If a complaint should arise, the Group 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

During the year ended 31 December 2018, the Group is not aware of any non-compliance with local and national legislations on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislations on bribery extortion, fraud, money laundering in Hong Kong and in other jurisdictions.

The Group requires employees to strictly conform to code of business ethics 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 from using 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.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of
CircuTech International Holdings Limited
(incorporated in the 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 49 to 131, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Interest in an associate and valuation of derivative financial instrument in relation to the associate	
Refer to Notes 2.3.2, 2.3.3, 2.12, 3.3 and 4(c), 11 and 17 to the consolidated financial statements On 19 July 2018, the Group acquired 21% equity interest of 4Square Return GmbH ("4Square") and the Group was entitled to a call option to acquire the remaining equity interest of 4Square in 2023 and a buy-back option that entitled the other shareholders of 4Square to buy-back the 21% equity interest in 4Square from the Group if the Group does not exercise the call option within three months after call option expires (the "Acquisition"). The total cost of the investment in 4Square was HK$14,508,000. In return, the Group is entitled to 21% of equity interest in 4Square and a call option and buy-back option at the date of the acquisition. The Group recognised the investment in 4Square as an associate amounted to HK$6,569,000 and the call option and buy-back option at a fair value of HK$7,939,000 as a derivative financial instrument in the consolidated statement of financial position at the date of acquisition.	• We read the sale and purchase agreement of the Acquisition to understand the details of the transaction, including the consideration, the conditions of completion, the rights and obligations of the Group. • We checked the payment of cash consideration to the relevant supporting documents, including the sale and purchase agreement and bank statement. • We checked the terms of the call option and buy-back option in relation to the investment in the associate to the relevant supporting documents, including the sale and purchase agreement and shareholder agreement. • We evaluated the competence, capabilities and objectivity of the independent external valuer.

Key Audit Matter	How our audit addressed the Key Audit Matter
Interest in an associate and valuation of derivative financial instrument in relation to the associate (continued)	
Management performed the assessment of the fair value of the call option and buy-back option at the date of acquisition and at year end based on an independent valuation report prepared by an external valuer. We identified this matter as a key audit matter because of the significance management judgement used in the fair value of the options at the date of acquisition and at year end including the revenue growth rate of the associate and the discount rate.	• We assessed the appropriateness of the valuation methodology and the underlying assumptions adopted by management in determining the fair value of the call option and buy-back option with the involvement of our in house valuation expert. • We evaluated the key assumptions used based on our understanding of the business of the associate and by comparing the market available data. Based on our work, we found that management's judgement and assumptions used in the fair value assessment were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
Refer to Notes 2.13, 4(a) and 20 to the consolidated financial statements The Group held inventories with a carrying value of HK$12,327,000, which is net of provision amounted to HK$2,352,000 as at 31 December 2018. 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 require the use of significant judgement and estimates, including the consideration of products' nature, ageing profile, historical sales pattern, estimated selling price 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, 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, 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, by comparing the estimated selling price with the post year-end sales data of selected items 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 judgement, 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 is 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- 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 Ms. Cheung Yuk Ting Mabel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	5	**299,109**	98,966
Cost of sales	7	**(284,271)**	(90,803)
Gross profit		**14,838**	8,163
Other income	6	**252**	564
Selling and distribution costs	7	**(5,754)**	(3,107)
Administrative expenses	7	**(22,081)**	(16,579)
Research and development expenditures	7	**(1,550)**	(1,933)
Operating loss		**(14,295)**	(12,892)
Share of net profit of an associate accounted for using the equity method	11	**523**	–
Loss before income tax		**(13,772)**	(12,892)
Income tax expenses	12	**(834)**	(322)
Loss for the year		**(14,606)**	(13,214)
Other comprehensive (loss)/income for the year:			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,963)**	59
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**30**	–
		(1,933)	59
Total comprehensive loss for the year		**(16,539)**	(13,155)
Loss for the year attributable to:			
– Owners of the Company		**(14,601)**	(13,210)
– Non-controlling interests		**(5)**	(4)
		(14,606)	(13,214)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(16,552)**	(13,113)
– Non-controlling interests		**13**	(42)
		(16,539)	(13,155)
Loss per share attributable to owners of the Company (HK cents per share)			
– Basic and diluted	13	**(62.31)**	(67.00)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*14*	**8,158**	10,411
Interest in an associate	*11*	**6,958**	–
Derivative financial instrument	*17*	**7,788**	–
Financial asset at fair value through other comprehensive income	*18*	**1,492**	–
Available-for-sale financial asset	*18*	**–**	1,462
		24,396	11,873
Current assets			
Inventories	*20*	**12,327**	102,668
Trade and other receivables	*19*	**7,600**	1,973
Restricted bank deposits	*31*	**31,220**	15,607
Cash and cash equivalents	*21*	**72,369**	86,067
		123,516	206,315
Total assets		**147,912**	218,188
Equity			
Share capital	*22*	**4,687**	4,687
Other reserves	*23*	**196,295**	198,246
Accumulated losses	*24*	**(68,889)**	(54,288)
Capital and reserves attributable to owners of the Company		**132,093**	148,645
Non-controlling interests		**(491)**	(504)
Total equity		**131,602**	148,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 HK$'000	2017 HK$'000
		As at 31 December	
Liabilities			
Current liabilities			
Trade and other payables	*26*	**14,003**	69,725
Contract liabilities	*5(a)*	**1,232**	–
Tax payables		**1,075**	322
Total liabilities		**16,310**	70,047
Total equity and liabilities		**147,912**	218,188

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

The consolidated financial statements on pages 49 to 131 were approved by the Board of Directors on 22 March 2019 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 2018

	Attributable to owners of the Company					
	Share capital *(Note 22)* *HK$'000*	**Other reserves** *(Note 23)* *HK$'000*	**Accumulated losses** *(Note 24)* *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
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 22(d))*	1,339	97,089	–	98,428	–	98,428
At 31 December 2017	4,687	198,246	(54,288)	148,645	(504)	148,141
Loss for the year	–	–	(14,601)	(14,601)	(5)	(14,606)
Other comprehensive (loss)/income	–	(1,951)	–	(1,951)	18	(1,933)
Total comprehensive (loss)/income for the year	–	(1,951)	(14,601)	(16,552)	13	(16,539)
At 31 December 2018	**4,687**	**196,295**	**(68,889)**	**132,093**	**(491)**	**131,602**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 HK$'000	2017 HK$'000
		For the year ended 31 December	
Cash flows from operating activities			
Cash generated from/(used in) operations	*29*	**18,116**	(44,090)
Interest received		**233**	3
Income taxes paid		**(70)**	–
Net cash generated from/(used in) operating activities		**18,279**	(44,087)
Cash flows from investing activities			
Payments for property, plant and equipment		**(160)**	(95)
Payments for available-for-sale financial assets		**–**	(1,462)
Proceeds from sale of property, plant and equipment		**–**	3
Increase in restricted bank deposits		**(15,669)**	(15,583)
Payments for interest in an associate and the related derivative financial instrument		**(14,508)**	–
Net cash used in investing activities		**(30,337)**	(17,137)
Cash flows from financing activities			
Net proceeds from the issue of rights shares	*22(d)*	**–**	98,428
Net cash generated from financing activities		**–**	98,428
Net (decrease)/increase in cash and cash equivalents		**(12,058)**	37,204
Cash and cash equivalents at beginning of year		**86,067**	49,460
Effects on exchange rates changes on cash and cash equivalents		**(1,640)**	(597)
Cash and cash equivalents at end of year	*21*	**72,369**	86,067

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 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 presented, unless otherwise stated. The 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 certain financial assets and liabilities (including derivative instrument) measured at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations as adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (amendments)	Clarifications to HKFRS 15
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Annual improvements project HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle
HKAS 40 (amendments)	Transfers to investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to Note 2.2. The other amendments and interpretations listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(b) New and amended standards, interpretations and conceptual framework not yet adopted

Certain new and amended standards, interpretations and conceptual framework have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual improvements project (amendments)	Annual improvements 2015-2017 cycle	1 January 2019
HKAS 1 (revised) and HKAS 8 (amendments)	Definition of material	1 January 2020
HKAS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 3 (amendments)	Business combination	1 January 2020
HKFRS 9 (amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 10 and HKAS 28 (amendments)	Sales or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(b) New and amended standards, interpretations and conceptual framework not yet adopted (continued)

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

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It results 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.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. 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$1,276,000 (see Note 30). Of these commitments, approximately HK$6,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. Operating expenses under otherwise identical circumstances will decrease, and depreciation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right of use assets and lease liabilities.

The Group expects to recognise right-of-use assets and lease liabilities for the non-cancellable operating lease commitments which are more than one year. The Group expects no material impact to the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures (continued)

(b) New and amended standards, interpretations and conceptual framework not yet adopted (continued)

(i) HKFRS 16 Leases *(continued)*

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

2.2.1 HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Notes 2.10, 2.12 and 2.14 below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

2.2.1 HKFRS 9 Financial Instruments *(continued)*

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	*Note*	**Avaliable-for-sale financial asset**	**Financial asset at fair value through other comprehensive income ("FVOCI")**
		HK$'000	*HK$'000*
Closing balance 31 December 2017 – HKAS 39		1,462	–
Reclassify non-trading equity from avaliable-for-sale financial asset to financial asset at FVOCI	*(a)*	(1,462)	1,462
Opening balance 1 January 2018 – HKFRS 9		–	1,462

(a) Equity investment previously classified as available-for-sale financial asset

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale financial asset, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$1,462,000 were reclassified from available-for-sale financial asset to financial asset at FVOCI on 1 January 2018.

There is no impact on the Group's accumulated losses as at 1 January 2018 as both HKAS 39 and HKFRS 9 require any changes in the fair value of the non-trading unlisted equity security to be recognised as other comprehensive income/loss in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

2.2.1 HKFRS 9 Financial Instruments *(continued)*

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables from sales and distribution of IT products and the provision of repairs and other services support of IT products; and
- other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for impairment of these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents and restricted bank deposits are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. Applying the ECL model, resulted in immaterial impact on the provision for impairment of these financial assets. Hence, there is no impact on the Group's accumulated losses as at 1 January 2018.

Other receivables

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for impairment of these financial assets. Hence, there is no impact on the Group's accumulated losses as at 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

2.2.2 HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply the new standard only to contracts that are not completed contracts at 1 January 2018.

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract liabilities from deferred revenue, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the consolidated financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

In summary, the following adjustments were made to the classification in the consolidated statement of financial position at the date of initial application (1 January 2018):

	As at 31 December 2017 (as previously reported)	**Effect under HKFRS 15**	**As at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	69,725	(6,883)	62,842
Contract liabilities	–	6,883	6,883

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Principles of consolidation

2.3.1 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.

2.3.2 Associate

Associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting (see Note 2.3.3 below), after initially being recognised at cost.

2.3.3 Equity method

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 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.

2.5 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.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated 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 the 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)*

2.6 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 derivative financial instruments are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as financial assets at FVOCI (2017: 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 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.

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

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.

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 2.9)*.

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

2.8 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(a) Capitalised development costs *(continued)*

- 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.

(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

2.9 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets

2.10.1Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2Recognition 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.

2.10.3Measurement

At initial recognition, the Group measures a financial asset at FVOCI at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

2.10.3 Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

2.10.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

2.10.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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 16 for details about each type of financial asset.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

2.10.5 Accounting policies applied until 31 December 2017 (continued)

(a) Classification (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

2.10.5 Accounting policies applied until 31 December 2017 *(continued)*

(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).

(e) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

2.10.5 Accounting policies applied until 31 December 2017 *(continued)*

(e) Impairment of financial assets (continued)

(i) 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 19.

(ii) 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.

2.11 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)*

2.12 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

2.13 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 bringing 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.

2.14 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 ranging from 15 to 45 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 of trade receivables. See Note 2.10 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

2.15 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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 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.

2.18 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) ***Deferred income tax*** *(continued)*

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.

2.19 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

(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 Group recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination 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.

2.20 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 25.

(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)
- 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time in the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.22 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)*

2.23 Revenue recognition

(a) Sale and distribution of IT products

The Group manufactures and sells IT products to customers. Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the products are delivered and the customers have accepted the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of repairs and service support

The Group provides repair, maintenance and support services for IT products. For sales of services, revenue is recognised over time in the accounting period in which the services are rendered to customers. For fixed-price contracts of service support, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Contract liabilities

The Group recognises contract liabilities when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional before the Group performs a service or delivery of IT products to the customer. Please refer to the details in Note 2.24 and 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition *(continued)*

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 15, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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 provides 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. Contract liabilities are recognised for services to be provided to customers represented by the excess of consideration received from the customers according to agreed customer billing schedules over cumulative revenue recognised.

2.25 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.

2.26 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 30)*. 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.

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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$ *HK$'000*	EUR *HK$'000*	RMB *HK$'000*	GBP *HK$'000*
As at 31 December 2018				
Assets				
Trade and other receivables	396	–	–	74
Restricted bank deposits	31,220	–	–	–
Cash and cash equivalents	21,084	318	–	398
Liabilities				
Trade and other payables	(1,392)	–	–	–

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	US$	EUR	RMB	GBP
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017				
Assets				
Trade and other receivables	192	–	–	7
Restricted bank deposits	15,607	–	–	–
Cash and cash equivalents	1,783	139	–	244
Liabilities				
Trade and other payables	(577)	–	(15)	–

Sensitivity

The Group is primarily exposed to changes in EUR/HK$ exchange rates. The sensitivity of post-tax profit or loss to changes in the exchange rates arises mainly from EUR-HK$ denominated financial instruments.

	2018		2017	
	Change in foreign exchange rate	**Positive/ (negative) effect on post-tax profit or loss**	Change in foreign exchange rate	Positive/ (negative) effect on post-tax profit or loss
		HK$'000		*HK$'000*
EUR/HK$ exchange rate – increase	**9%**	**(24)**	11%	(13)
EUR/HK$ exchange rate – decrease	**(9%)**	**24**	(11%)	13

As at 31 December 2018, the Group was exposed to foreign exchange risk primarily with respect to the potential effects of HK$264,000 on post-tax profit or loss included the impacts from translation in intercompany balances which are translated from HK$ to EUR.

The HK$ is pegged to US$ and thus foreign currency exposure is considered as minimal and is not hedged. Management believes that the appreciation/depreciation of 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. Therefore, no sensitivity analysis is presented for RMB and GBP against HK$.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(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 the bank 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 in relation to its financial assets at trade and other receivables, restricted bank deposits and cash and cash equivalents. The carrying amounts of trade and other receivables, restricted bank deposits and cash and cash equivalents, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. The existing counterparties do not have default in the past. Therefore, the identified impairment loss was immaterial.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for impairment of all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

To measure the expected credit losses, trade receivables have been grouped based on nature of customer accounts and shared credit risk characteristics.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

Majority of the Group's revenue is received from individual customers in relation to IT products sold and are transacted in cash or credit. The Group's trade receivables arise from sales of IT products to the customers.

As at 31 December 2018, the top three debtors and the largest debtor accounted for approximately 85.0% and 76.7% (2017: 92.6% and 77.1%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the provision for impairment of the trade and other receivables based on background and reputation of the customers, historical payment records, past experience, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the Group's expected credit loss rate to be low and no provision for impairment of trade receivables was made as of 31 December 2018.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2018	2017
	HK$'000	*HK$'000*
31 December – calculated under HKAS 39	**64**	99
Opening loss allowance as at 1 January 2018		
– calculated under HKFRS 9	**64**	99
Receivables written off during the year as uncollectible	**(50)**	–
Reversal	**(10)**	(21)
Exchange difference	**(4)**	(14)
At 31 December	**–**	64

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables (continued)

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

As at 31 December 2018, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance for other receivables was recognised.

(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 31)*. 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. At the end of the year, the Group held cash and cash equivalents and trade receivables, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet date to the contractual maturity date. 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.

	2018	2017
	HK$'000	*HK$'000*
Trade and other payables		
Less than 1 year	**13,022**	59,388

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "bank borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents.

	2018	2017
	HK$'000	*HK$'000*
Total borrowings	**–**	–
Less: cash and cash equivalents	**(72,369)**	(86,067)
Total cash	**(72,369)**	(86,067)
Total equity	**131,602**	148,141
	N/A	N/A

3 FINANCIAL RISK MANAGEMENT *(continued)*

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 consolidated 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	Level 2	Level 3	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018					
Financial assets					
Derivative financial instrument	*17*	**–**	**–**	**7,788**	**7,788**
Financial asset at FVOCI	*18*	**–**	**–**	**1,492**	**1,492**
At 31 December 2017					
Financial assets					
Available-for-sale financial asset – equity interest in an unlisted entity	*18*	–	–	1,462	1,462

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

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) ***Financial assets*** *(continued)*

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

The following table presents the changes in level 3 items for the year ended 31 December 2018 and 2017:

	Financial assets	
	Derivative financial instrument	**Financial asset at FVOCI**
	HK$'000	***HK$'000***
Balance at 31 December 2017	**–**	**1,462**
Derivative financial instrument in relation to the interest in an associate *(Note 17)*	**7,939**	**–**
Change in fair value	**–**	**30**
Exchange difference	**(151)**	**–**
Balance at 31 December 2018	**7,788**	**1,492**

The fair value of the financial asset at FVOCI (2017: available-for-sale financial asset) and derivative financial instrument were determined based on discounted cash flow with unobservable inputs including revenue growth rates 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 2018 HK$'000	Fair value at 31 December 2017 HK$'000	Unobservable inputs (Note)	Range of inputs (probability-weighted) 2018	Range of inputs (probability-weighted) 2017	Relationship of unobservable inputs to fair value
Derivative financial instrument in relation to the interest in an associate	7,788	–	Annual revenue growth rate	0 – 12.5	N/A	If annual revenue growth rate increases, or risk-adjusted discount rate decreases, the fair value would increases; if annual revenue growth rate decreases or risk-adjusted discount rate increases, the fair value would decrease.
	–	–	Risk-adjusted discount rate	13.5%	N/A	
Unlisted equity security	1,492	1,462	Annual revenue growth rate	15.0% – 32.0% (Note (ii))	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	3%	5.5%	
			Risk-adjusted discount rate	17.1%	20%	

Notes:

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

(ii) The average revenue growth rate covering the five-year forecast period was 24.4% (2017: 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) Financial assets *(continued)*

(v) Valuation processes (continued)

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 Group and that are believed to be reasonable under the circumstances.

(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.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(continued)*

(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.

(c) Estimation of fair value of financial assets at FVOCI (2017: available-for-sale financial asset) and derivative financial instrument

The fair values of financial instrument 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

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax treatment is subject to judgement. If the Group considers it is probable that these judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

Deferred income tax assets relating to certain deductible temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(continued)*

(e) Impairment of interest in an associate

Interest in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by its recoverable amount, being the higher of fair value less costs to sell and the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's reported financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION

The Group derives the following types of revenue:

	2018	2017
	HK$'000	*HK$'000*
Sales and distribution of IT products	**298,728**	98,950
Repairs and service support	**381**	16
Total revenue	**299,109**	98,966

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 ended 31 December 2018 and 2017. 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 2018 is as follows:

	Sales and distribution of IT products HK$'000	Repairs and service support HK$'000	Total HK$'000
Revenue from external customers	298,728	381	299,109
Time of revenue recognition			
– At a point in time	298,728	–	298,728
– Over time	–	381	381
	298,728	381	299,109
Segment (loss)/profit	(1,409)	173	(1,236)
Interest income from bank deposits			233
Unallocated corporate expenses *(Note)*			(13,292)
Operating loss			(14,295)
Share of net profit of associates accounted for using the equity method			523
Loss before income tax			(13,772)
Income tax expense			(834)
Loss for the year			(14,606)

5 SEGMENT INFORMATION *(continued)*

The segment information for the year ended and as at 31 December 2018 is as follows: *(continued)*

	For the year ended 31 December 2018			
	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	104	–	2,263	2,367
Loss on disposal of property, plant and equipment	45	–	–	45
Reversal of provision for impairment of trade receivables	(10)	–	–	(10)
Provision for inventories	1,517	–	–	1,517
Write off of inventories	110	–	–	110
Additions to non-current assets	160	–	–	160

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Reportable segment assets	18,997	–	18,997
Unallocated corporate assets			128,915
Total assets per consolidated statement of financial position			147,912
Reportable segment liabilities	13,502	–	13,502
Tax payables			1,075
Unallocated corporate liabilities			1,733
Total liabilities per consolidated statement of financial position			16,310

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)
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 for impairment of trade receivables	(21)	–	(21)
Provision for 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

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 broken down by location of the Group's customers and non-current assets based on countries where the Group's entities operate is shown in the table below.

	Revenue from external customers		**Non-current assets**	
	2018 ***HK$'000***	2017 *HK$'000*	**2018** ***HK$'000***	2017 *HK$'000*
North America	**189,990**	50,634	**5**	8
Europe	**69,415**	27,624	**14,769**	11
Asia	**37,953**	19,100	**9,622**	11,854
Africa	**1,678**	1,502	**–**	–
Others	**73**	106	**–**	–
	299,109	98,966	**24,396**	11,873

5 SEGMENT INFORMATION *(continued)*

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

	2018 HK$'000	2017 HK$'000
Customer A	**152,280**	25,207
Customer B	*	21,316
Customer C	*	19,843

* *Representing contributed less than 10% of the total revenue of the Group during the year.*

(a) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2018 HK$'000	2017 HK$'000
Contract liabilities related to sales and distribution of IT products	**1,232**	–

The Group has adopted HKFRS 15 from 1 January 2018 with modified retrospective approach. The comparative information for prior periods is not restated, see Note 2.2.2 for further details.

Contract liabilities represent advanced payments received from customers for goods that have not yet been delivered to the customers. As at 31 December 2018, the contract liabilities mainly included the advanced payments received from individual customers for sales of IT products after the end of respective reporting period.

(b) Revenue recognised in relation to contract liabilities

Revenue of HK$6,832,000 is recognised in relation to contract liabilities in the year ended 31 December 2018 related to carried forward contract liabilities as at 1 January 2018. There is no revenue recognised in relation to contract liabilities for performance obligation satisfied on or before 1 January 2018.

6 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income from bank deposits	**233**	3
Service fee income	**2**	534
Others	**17**	27
	252	564

7 EXPENSE BY NATURE

	2018 HK$'000	2017 HK$'000
Cost of inventories sold	**281,939**	89,196
Employee benefits expenses, including directors' emoluments *(Note 8)*	**12,890**	10,690
Loss on disposal of property, plant and equipment *(Note 29)*	**45**	68
Depreciation of property, plant and equipment *(Note 14)*	**2,367**	1,242
Amortisation of capitalised development costs (included in research and development expenditures) *(Note 15)*	**–**	461
Auditors' remuneration		
– Audit services	**979**	1,000
– Non-audit services	**350**	160
Net foreign exchange loss/(gain)	**2,577**	(61)
Provision for inventories (included in cost of sales) *(Note 20)*	**1,517**	430
Write off of inventories *(Note 20)*	**110**	164
Reversal of provision for impairment of trade receivables *(Note 19)*	**(10)**	(21)
Legal and professional expenses	**4,506**	3,869
Operating lease charges		
– office and warehouse	**2,145**	1,804
– property, plant and equipment	**171**	16
Facility arrangement fee	**1,025**	624
Other expenses	**3,045**	2,780
Total cost of sales, selling and distribution costs, administrative expenses and research and development expenditures	**313,656**	112,422

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	12,480	10,299
Pension costs – defined contribution plans	410	391
	12,890	10,690

(a) Pensions – defined contribution plans

No forfeited contributions were utilised during the year (2017: Nil).

Contributions totaling HK$35,000 (2017: HK$47,000) 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 1 director (2017: 2 directors) whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining 4 (2017: 3) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,471	1,421
Contribution to pension scheme	250	54
	3,721	1,475

The emoluments fell within the following bands:

	2018	2017
Emolument bands *(in HK$)*		
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	–
	4	3

During the year, no emoluments have been paid to the five highest paid individuals as an inducement to join or as compensation for loss of office.

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

Emoluments paid or receivable in respect of person's service as a director or other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking:

For the year ended 31 December 2018

	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Allowance and benefits in kind *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Total *HK$'000*
Executive directors						
Dr. Woo Kwok Fai Louis						
(Chairman and Chief Executive Officer)	–	420	–	–	–	420
Mr. Chin Yin-Shen *(Note viii))*	–	–	–	–	–	–
Ms. Chen Ching-Hsuan	–	–	–	–	–	–
Mr. Cheng Michael Ichiang	–	1,500	–	–	16	1,516
Non-executive director						
Mr. Hong Sung-Tai	–	–	–	–	–	–
Independent non-executive directors						
Mr. Yeung Wai Hung Peter	120	–	–	–	–	120
Mr. Li Robin Kit Ling *(Note (vi))*	120	–	–	–	–	120
Mr. Miao Benny Hua-ben	120	–	–	–	–	120
	360	1,920	–	–	16	2,296

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)*

Emoluments paid or receivable in respect of person's service as a director or other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking: *(continued)*

For the year ended 31 December 2017

	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Allowance and benefits in kind *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Total *HK$'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

No directors waived their emoluments in respect of the year ended 31 December 2018 (2017: Nil).

No directors received or will receive remuneration by a director as an inducement to join (2017: Nil) or as compensation for loss of office (2017: Nil).

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)*

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
(viii) Resigned on 6 July 2018

9.2 Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the financial year (2017: Nil).

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

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: 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 (2017: Nil).

9.5 Directors' material interests in transactions, arrangements or contracts

Save for the related party transactions disclosed in Note 32(b), no other significant transactions, arrangements and contracts 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 (2017: Nil).

10 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 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 place 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	
				2018 %	2017 %	2018 %	2017 %
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	PRC, limited liability company	Production, sales and marketing of video surveillance systems	US$130,000	100	100	–	–
CircuTech Holdings Alliances (Netherlands) B.V.	Netherlands, limited liability company	Sales and distribution of IT products	EUR0.01	100	100	–	–
CircuTech Inc.	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.	Australia, limited liability company	Sales and distribution of IT products	AU$1,000	100	100	–	–

11 INTEREST IN AN ASSOCIATE

	Note	2018 HK$'000	2017 HK$'000
As at 1 January		**–**	–
Acquisition	*(ii)*	**6,569**	–
Share of results of an associate		**523**	–
Exchange difference		**(134)**	–
As at 31 December		**6,958**	–

Set out below is the principal associate of the Group as at 31 December 2018. The entity listed below has share capital consisting solely of ordinary shares, which are held indirectly by the Company. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest 2018 %	Nature of relationship	Measurement method	Carrying amount 31 December 2018 HK$'000
4Square Return GmbH	Germany	21%	Associate *(Note (i))*	Equity method	6,958

11 INTEREST IN AN ASSOCIATE *(continued)*

Note (i)

The associate is principally engaged in compliance consulting, the provision of sales and marketing services, collecting and take back services, asset remarketing services, recycling, commodities aggregation and trading, certified waste electrical and electronic equipment disassembly, and metals separation and concentration, in particular, in the information technology, telecommunications and electronics industries.

Note (ii)

Summary of acquisition
On 4 June 2018, the Group entered into a sale and purchase agreement to acquire 21% of the issued share capital of 4Square Return GmbH ("4Square") from independent parties by cash consideration of EUR1,600,000 (equivalent to approximately HK$14,508,000). In return, the Group is entitled to (i) 21% of equity interest in 4Square at a cost of HK$6,569,000 and (ii) a call option and buy-back option at fair value of approximately HK$7,939,000 at the date of the acquisition. The transaction was completed on 19 July 2018.

The call option allows the Group to acquire all the remaining shares of 4Square in the exercise period at an exercise price determined in accordance with the terms set out in shareholders' agreement. The exercise period is from the date that the audited consolidated financial statements of 4Square for year ending 31 January 2023 are filed in Germany until the Business Day that falls six months thereafter ("Call Option Period"). If the Group does not exercise the call option before the expiry of Call Option Period, the other 4Square existing shareholders may buy-back all of the shares in the 4Square held by the Group within three months from the expiry of the Call Option Period for the consideration of EUR1,600,000. The call option and buy-back option were treated as a single component derivative financial instrument at fair value through profit and loss under HKFRS 9.

The excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of 4Square at the date of acquisition was recognised as goodwill and included the interest in an associate.

A profit of approximately HK$523,000 representing the Group's share of results of the associate was recorded for the year ended 31 December 2018.

11 INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information for an associate

The tables below provide summarised financial information for the associate. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associate and not CircuTech International Holdings Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including modifications for differences in accounting policy.

	As at 31 December 2018 ***HK$'000***
Cash and cash equivalents	**5,355**
Other current assets	**32,684**
Total current assets	**38,039**
Non-current assets	**20,898**
Current liabilities	**(38,498)**
Net assets	**20,439**
Reconciliation to carrying amounts:	
Net assets at acquisition date	**18,338**
Profit for the period	**2,498**
Exchange difference	**(397)**
Closing net assets	**20,439**
Group's share in %	**21%**
Group's share in amount	**4,292**
Goodwill	**2,718**
Exchange difference	**(52)**
Carrying amount	**6,958**

11 INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information for an associate *(continued)*

	For the period from acquisition date to 31 December 2018 *HK$'000*
Revenue	**47,559**
Depreciation and amortisation	**(634)**
Interest expense	**(285)**
Tax expenses	**(770)**
Profit and other comprehensive income for the period	**2,498**

There is no contingent liability in relation to the Group's interest in an associate on 31 December 2018. As at 31 December 2018, the Group has no share of capital commitments of an associate.

12 INCOME TAX EXPENSES

Taxation on loss has been calculated on the estimated assessable loss for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current tax	**834**	322

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the primary tax rate of 16.5% (2017: 16.5%) applicable to (loss)/profit of the majority of the consolidated entities as follows:

	2018 HK$'000	2017 HK$'000
Loss before income tax	**(13,772)**	(12,892)
Tax at the Hong Kong tax rate of 16.5% (2017: 16.5%)	**(2,272)**	(2,127)
Tax effects of:		
– Income not subject to tax	**(87)**	(1)
– Associate's result reported net of tax	**(131)**	–
– Expenses not deductible for tax purposes	**443**	120
– Difference in overseas tax rates	**(663)**	16
– Utilisation of previously unrecognised tax losses	**(550)**	–
– Tax losses for which no deferred income tax asset was recognised	**4,026**	2,262
– Others	**68**	52
Income tax expense	**834**	322

13 LOSS PER SHARE

13.1 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:

	2018 *HK$'000*	2017 *HK$'000*
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	**(14,601)**	(13,210)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share *('000)* *(Note (i))*	**23,434**	19,717
Basic loss per share attributable to the ordinary equity holders of the Company *(HK cents per share)*	**(62.31)**	(67.00)

Note:

(i) For the year ended 31 December 2017, 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 22(c))* and the issuance of rights shares completed on 20 October 2017 *(Note 22 (d))*.

13.2 Diluted loss per share

Diluted loss per share is equal to basic loss per share as there was no dilutive potential share outstanding during the year (2017: same).

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
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
Year ended 31 December 2018					
Opening net book value	54	57	116	10,184	10,411
Exchange difference	–	–	(1)	–	(1)
Additions	113	2	45	–	160
Depreciation charge *(Note 7)*	(34)	(16)	(54)	(2,263)	(2,367)
Disposals	(36)	(9)	–	–	(45)
Closing net book value	97	34	106	7,921	8,158
At 31 December 2018					
Cost	113	172	1,041	11,315	12,641
Accumulated depreciation	(16)	(138)	(935)	(3,394)	(4,483)
Net book value	97	34	106	7,921	8,158

Depreciation expense of HK$2,367,000 (2017: HK$1,242,000) has been charged in "administrative expenses".

15 CAPITALISED DEVELOPMENT COSTS

	HK$'000
Year ended 31 December 2017	
Opening net book value	461
Amortisation charge *(Note 7)*	(461)
Closing net book value	–
Year ended 31 December 2018	
Opening net book value	–
Amortisation charge *(Note 7)*	–
Closing net book value	–
At 31 December 2017 and 2018	
Cost	17,402
Accumulated amortisation	(17,402)
Net book value	–

No amortisation charge (2017: HK$461,000) is included in "research and development expenditures".

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2018 HK$'000	2017 HK$'000
Assets		
Derivative financial instrument	7,788	–
Financial asset at fair value through other comprehensive income	1,492	–
Available-for-sale financial asset	–	1,462
	9,280	1,462
Financial assets at amortised cost		
– Trade and other receivables (excluding prepayments)	6,278	1,331
– Restricted bank deposits	31,220	15,607
– Cash and cash equivalents	72,369	86,067
	109,867	103,005
	119,147	104,467
Liabilities		
Financial liabilities at amortised cost		
– Trade and other payables (excluding other tax payables, receipts in advance and accrued employee benefits)	13,022	59,388

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.

17 DERIVATIVE FINANCIAL INSTRUMENT

	2018 HK$'000	2017 HK$'000
Non-current assets		
Derivative financial instrument in relation to the interest in an associate *(Note 11(ii))*	**7,788**	–

(i) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivative please refer to Note 3.3.

(ii) Amounts recognised in profit or loss

The change in the fair value of derivative financial instrument during the year is set out in Note 3.3(a)(iii).

The derivative financial instrument is denominated in EUR.

18 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial asset at fair value through other comprehensive income

	2018 HK$'000	2017 HK$'000
Unlisted equity security	**1,492**	–

During the year, a fair value gain of HK$30,000 (2017: nil) were recognised in consolidated statement of comprehensive income.

(b) Financial asset previously classified as available-for-sale financial assets (2017)

	2018 HK$'000	2017 HK$'000
Unlisted equity security	**–**	1,462

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

The financial asset at fair value through other comprehensive income is denominated in US$.

Note 2.2.1 explains the change of accounting policy and the reclassification of equity securities from available-for-sale financial assets at fair value through other comprehensive income.

19 TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	5,801	1,052
Provision for trade receivables	–	(64)
	5,801	988
Deposits and other receivables	477	343
Financial assets at amortised cost	6,278	1,331
Prepayments	1,322	642
Total trade and other receivables	7,600	1,973

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms generally ranging from 15 to 45 days. At 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	5,239	697
2 to 3 months	432	291
Over 3 months	130	64
	5,801	1,052

(a) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly.

In addition, the Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Information about the provision for impairment of trade receivables movement of provision for impairment of trade receivables and the Group's exposure to credit risk and foreign exchange risk is disclosed in Note 3.1.

19 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Impaired trade receivables *(continued)*

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

Amounts recognised in profit or loss

During the year, the following reversal of provision for impairment of trade receivables were recognised in the profit or loss.

	2018	2017
	HK$'000	*HK$'000*
– Reversal of provision for impairment of trade receivables *(Note 7)*	**(10)**	(21)

(b) Fair value 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.

20 INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**781**	360
Finished goods	**11,546**	102,308
	12,327	102,668

Cost of inventories sold of HK$281,939,000 (2017: HK$89,196,000), inventory provision of HK$1,517,000 (2017: HK$430,000) and write off of inventories amounted to HK$110,000 (2017: HK$164,000) are recognised as expenses and included in "cost of sales" during the year ended 31 December 2018. As at 31 December 2018, the provision for inventories amounted to HK$2,352,000 (2017: HK$954,000).

21 CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash on hand	**11**	43
Cash at bank	**47,358**	86,024
Short-term bank deposit	**25,000**	–
	72,369	86,067

As at 31 December 2018, the short-term bank deposit bears interest at 1.85% per annum with maturity date within three months, and was therefore included in cash and cash equivalents.

22 SHARE CAPITAL

		Number of shares		Share capital	
	Note	2018 '000	2017 '000	2018 HK$'000	2017 HK$'000
Issued and fully paid					
At 1 January		**23,434**	836,921	**4,687**	3,348
Share consolidation	*(c)*	**–**	(820,183)	**–**	–
Rights issue	*(d)*	**–**	6,696	**–**	1,339
At 31 December		**23,434**	23,434	**4,687**	4,687

(a) Ordinary shares

Ordinary shares have a par value of HK$0.20 (after the effect of share consolidation in 2017 (Note 22(c)). 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.

(b) Options

Information relating to the 2016 Option Scheme is set out in Note 25.

(c) 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).

22 SHARE CAPITAL *(continued)*

(d) 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 23)*.

23 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. 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$'000	Financial asset at FVOCI HK$'000	Total HK$'000
At 1 January 2017		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	*22(d)*	97,089	–	–	–	97,089
At 31 December 2017		183,006	250	14,990	–	198,246
Other comprehensive loss for the year						
Exchange differences on translation of foreign operations		–	(1,981)	–	–	(1,981)
Changes in the fair value of equity investments at fair value through other comprehensive income	*18*	–	–	–	30	30
At 31 December 2018		**183,006**	**(1,731)**	**14,990**	**30**	**196,295**

23 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 2.6 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.

24 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	2018	2017
	HK$'000	*HK$'000*
Beginning balance	**(54,288)**	(41,078)
Loss for the year	**(14,601)**	(13,210)
Ending balance	**(68,889)**	(54,288)

25 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.

25 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.

26 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**10,290**	56,633
Receipts in advance	**–**	6,883
Other tax payables	**680**	3,454
Accruals and other payables	**3,033**	2,755
	14,003	69,725

26 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 invoice date were are follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**10,288**	56,617
2 to 3 months	**–**	14
Over 3 months	**2**	2
	10,290	56,633

27 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:

	2018	2017
	HK$'000	*HK$'000*
Deferred tax assets:		
– Deferred tax assets	**1,056**	1,317
Deferred tax liabilities:		
– Deferred tax liabilities	**(1,056)**	(1,317)
Deferred tax assets, net	**–**	–

27 DEFERRED INCOME TAX *(continued)*

27.1 Deferred tax assets

The balance comprises temporary differences attributable to:

	2018	2017
	HK$'000	*HK$'000*
Tax losses	**1,056**	1,317

Movements

	Tax losses
	HK$'000
At 31 December 2016	86
Credited to profit or loss	1,231
At 31 December 2017	1,317
Charged to profit or loss	(261)
At 31 December 2018	**1,056**

27.2 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2018	2017
	HK$'000	*HK$'000*
Accelerated tax depreciation	**1,056**	1,317
Capitalised development costs	**–**	–
	1,056	1,317

27 DEFERRED INCOME TAX *(continued)*

27.2 Deferred tax liabilities *(continued)*

Movements

	Accelerated tax depreciation HK$'000	Capitalised development costs HK$'000	Total HK$'000
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
Credited to profit or loss	(261)	–	(261)
At 31 December 2018	**1,056**	**–**	**1,056**

27.3 Tax losses

	2018 ***HK$'000***	2017 *HK$'000*
Unused tax losses for which no deferred tax asset has been recognised	**73,788**	57,633
Potential tax benefit at domestic tax rate for which the Group's entities operate	**13,575**	10,099

27 DEFERRED INCOME TAX *(continued)*

27.3 Tax losses *(continued)*

The unused tax losses were incurred by the Group companies that are not likely to generate taxable income in the foreseeable future. See Note 27.1 for information about recognised tax losses and Note 4(d) for significant judgements made in relation to them. As at 31 December 2018 and 2017, the unused tax losses are as follows:

	2018	2017
	HK$'000	*HK$'000*
Expiry date in:		
2021	**1,900**	1,900
2022	**267**	267
2023	**291**	–
2026	**235**	235
2027	**9,451**	326
2028	**1,269**	–
2037	**–**	772
No expiry date	**60,375**	54,133
	73,788	57,633

28 DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

29 CASH FLOW INFORMATION

Cash generated from/(used in) operations

	2018 HK$'000	2017 HK$'000
Loss before income tax	(13,772)	(12,892)
Adjustments for:		
Amortisation of capitalised development costs	–	461
Depreciation of property, plant and equipment	2,367	1,242
Provision for inventories	1,517	430
Write off of inventories	110	164
Reversal of provision for impairment of trade receivables	(10)	(21)
Interest income from bank deposits	(233)	(3)
Loss on disposal of property, plant and equipment	45	68
Share of net profit of an associate accounted for using the equity method	(523)	–
	(10,499)	(10,551)
Change in operating assets and liabilities		
Decrease/(increase) in inventories	88,931	(101,912)
(Increase)/decrease in trade and other receivables	(5,805)	794
(Decrease)/increase in trade and other payables	(55,788)	67,579
Increase in contract liabilities	1,277	–
Cash generated from/(used in) operations	18,116	(44,090)

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

	2018 HK$'000	2017 HK$'000
Net book amount *(Note 14)*	45	71
Loss on disposal of property, plant and equipment *(Note 7)*	(45)	(68)
Proceeds from sale of property, plant and equipment	–	3

30 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.

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**922**	638
Later than one year but not later than five years	**354**	–
	1,276	638

31 RESTRICTED BANK DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Restricted bank deposits	**31,220**	15,607

As at 31 December 2018, a bank deposit of approximately US$4,000,000 (equivalent to approximately HK$31,220,000) was pledged to the bank facility amounting to US$8,000,000 (equivalent to approximately HK$62,440,000) granted to the Group (2017: US$4,000,000). Such bank facility was drawn by the Group to issue a standby letter of credit to a vendor in the financial year ended 31 December 2018. Included in restricted bank balance is HK$30,182,000 (2017: nil) placed as fixed deposit at an interest rate of 1.5% per annum with maturity in February 2019.

The Group has complied with the financial covenants of its banking facilities during the year ended 31 December 2018 (2017: same).

32 RELATED PARTY TRANSACTIONS

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of Incorporation	Ownership interest	
			2018	2017
Foxconn (Far East) Limited	Ultimate holding company *(Note)*	Cayman Islands	**50.58%**	50.58%
Hon Hai Precision Industry Co. Ltd.	Immediate holding entity	Taiwan	**50.58%**	50.58%

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

	2018	2017
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,296**	2,120

(c) Transactions with related parties

The following transactions occurred with related parties:

	2018	2017
	HK$'000	*HK$'000*
Provision of general administrative services from fellow subsidiaries and the immediate holding company	**108**	177
Operating lease charges paid to fellow subsidiaries in respect of a warehouse and an office	**497**	451

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

(d) Banking facility

As at 31 December 2018, the bank facility of the Group in relation to a standby letter of credit to a vendor of US$8,000,000 (2017: US$4,000,000) were supported by corporate guarantees given by the Company and its subsidiaries (2017: same).

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current asset			
Investments in subsidiaries		**10**	10
Amounts due from subsidiaries		**124,290**	141,870
		124,300	141,880
Current assets			
Prepayments and deposits		**380**	309
Cash and cash equivalents		**110**	151
		490	460
Total assets		**124,790**	142,340
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**4,687**	4,687
Share premium	*(a)*	**183,006**	183,006
Accumulated losses	*(a)*	**(64,050)**	(46,789)
Total equity		**123,643**	140,904
Liabilities			
Current liabilities			
Accruals		**1,147**	1,436
Total equity and liabilities		**124,790**	142,340

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf

Dr. Woo Kwok Fai Louis
Director

Mr. Cheng Michael Ichiang
Director

33 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 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 22(d))*	97,089	–	97,089
At 31 December 2017	183,006	(46,789)	136,217
At 1 January 2018	183,006	(46,789)	136,217
Loss for the year	–	(17,261)	(17,261)
At 31 December 2018	**183,006**	**(64,050)**	**118,956**

34 EVENT OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end date, the Group entered into an equipment lease agreement with a related party for leasing of machinery at a quarterly lease payment of HK$600,000 for a period of 3 years.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June		Six months ended 31 December	Year ended 31 December	
	2015	2016	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	28,941	26,070	9,530	98,966	**299,109**
Loss before income tax	(7,937)	(8,755)	(7,535)	(12,892)	**(13,772)**
Income tax expense	–	–	–	(322)	**(834)**
Loss for the year/period	(7,937)	(8,755)	(7,535)	(13,214)	**(14,606)**
Loss for the year/period attributable to:					
– Owners of the Company	(7,843)	(8,693)	(7,517)	(13,210)	**(14,601)**
– Non-controlling interests	(94)	(62)	(18)	(4)	**(5)**
	(7,937)	(8,755)	(7,535)	(13,214)	**(14,606)**

ASSETS AND LIABILITIES

	At 30 June		At 31 December	Year ended 31 December	
	2015	2016	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	80,176	72,907	65,862	218,188	**147,912**
Total liabilities	(1,908)	(2,639)	(2,994)	(70,047)	**(16,310)**
	78,268	70,268	62,868	148,141	**(131,602)**
Capital and reserves attributable to:					
– Owners of the Company	78,763	70,744	63,330	148,645	**132,093**
– Non-controlling interests	(495)	(476)	(462)	(504)	**(491)**
	78,268	70,268	62,868	148,141	**(131,602)**