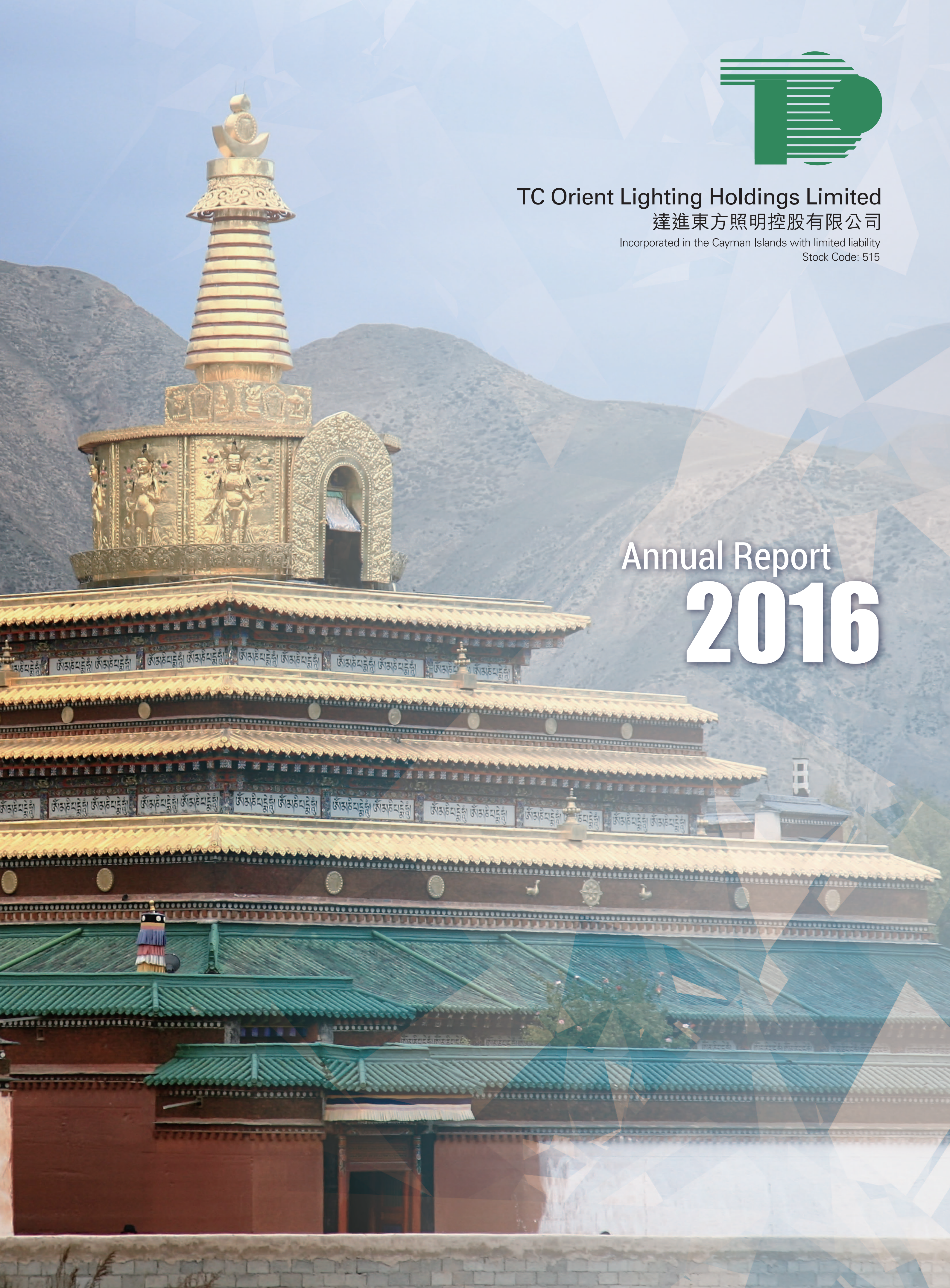
TC Orient Lighting Holdings Limited
達進東方照明控股有限公司
Incorporated in the Cayman Islands with limited liability
Stock Code: 515

Annual Report 2016



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yongsen (Chairman)
Mr. Wang Shi Jin (Chief Executive Officer)
Mr. Chen Hua (appointed on 29 February 2016)
Mr. Wong Wing Choi (appointed on 29 February 2016 and resigned on 3 April 2017)
Mr. Zhu Jianqin (resigned on 29 April 2016)
Mr. Chen Zheng Xue (resigned on 29 April 2016)
Ms. Shi Qiu Yu (resigned on 29 April 2016)
Mr. Xu Ming (appointed on 14 September 2016)
Mr. Guo Jun Hao (appointed on 10 April 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Wong Kwok On (appointed on 14 September 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed on 29 February 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)

AUDIT COMMITTEE

Mr. Anson Poon Wai Kong (chairman of committee)
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Wong Kwok On (appointed on 14 September 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)

REMUNERATION COMMITTEE

Mr. Anson Poon Wai Kong (appointed as chairman of committee on 14 September 2016)
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)

NOMINATION COMMITTEE

Mr. Chen Yongsen (appointed as chairman of committee on 29 February 2016)
Mr. Anson Poon Wai Kong
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)
Mr. Wang Shi Jin (ceased to be a committee member on 29 February 2016)

COMPLIANCE COMMITTEE

Mr. Wang Shi Jin (chairman of committee)
Mr. Anson Poon Wai Kong
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)

CORPORATE INFORMATION

COMPANY SECRETARY

Mr. Chan Chun Kau

AUTHORISED REPRESENTATIVES

Mr. Chen Yongsen
Mr. Chan Chun Kau

HEAD OFFICE

Before 29 February 2016:
Room 3, 15/F, Atiken Vanson Centre
61 Hoi Yuen Road
Kwun Tong, Kowloon

With effect from 29 February 2016:
Unit 1001E, East Ocean Centre
98 Granville Road
Tsim Sha Tsui, Kowloon

With effect from 24 November 2016:
Unit 1101A1, East Ocean Centre
98 Granville Road
Tsim Sha Tsui, Kowloon

REGISTERED OFFICE

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

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch, Guangdong, the PRC
Agricultural Bank of China,
Zhongshan Branch, Guangdong, the PRC
Hang Seng Bank Limited
China Trust Commercial Bank, Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00515

WEB-SITE

www.tatchun.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of TC Orient Lighting Holdings Limited (the "**Company**"), and together with its subsidiaries collectively referred to as the "**Group**"), I am pleased to present the Group's result for the year ended 31 December 2016 (the "**Year**").

OVERVIEW

The PCB business has been facing difficult operating environment due to shrinkage of export markets and high raw material and operational costs. In recent years, the Group has placed more efforts to extend our PCB segment in PRC market where competition in the PCB industry was persistently fierce. During the year, the Group has paid great attention and effort to develop high value added PCB products, particularly the copper-based PCB, which is engaged in clean and environmental-friendly applications.

During the Year, the Group's LED business focused on credit management, control and inspection, acceptance and transfer of projects under development, with a view to optimizing the trade receivables of the Group's LED business. Due to the trading suspension in the first four months and the funding pressure of the Group, business expansion slowed down during the Year, while other business efforts focused on expediting project inspection, acceptance and collection of trade receivables.

In order to capitalise on the Group's strengths in the LED market for its established brand, reputation, qualifications and track record, the Group plans to implement a business partner system in three areas, namely, consolidating organizational structure, consolidating product platform and consolidating market resources, which is targeted to facilitate the Group to obtain more market resources, to realize diversified development and to expand into LED markets other than road lamps.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Chen Yongsen
Chairman

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognizes the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year.

The Board and the compliance committee shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities and each of the incumbent directors confirmed that he/she has complied with the Model Code during the year ended 31 December 2016.

DIRECTORS

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises ten members, consisting of five executive Directors and five independent non-executive Directors. Further details of the composition of the Board are set out on page 2.

Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 22 to 24 of the Annual Report.

The Board has established a policy setting out the approach to achieve diversity on the Board (the "**Board Diversity Policy**") with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

In addition, the Board has met Rule 3.10 of the Listing Rules, that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors bring independent judgment, knowledge and experience to the Board. Each of the incumbent independent non-executive directors confirmed that he/she is independent within the definition of Rule 3.13 of the Listing Rules.

The Company has held 19 board meetings during the Year and the attendance records are set out below:

Name of directors	Number of attendance
EXECUTIVE DIRECTORS	
Mr. Chen Yongsen Chairman	19/19
Mr. Wang Shi Jin, Chief Executive Officer	18/19
Mr. Chen Hua (appointed on 29 April 2016)	17/17
Mr. Wong Wing Choi (appointed on 29 February 2016 and resigned on 3 April 2017)	15/17
Mr. Zhu Jianqin (resigned on 29 April 2016)	8/8
Mr. Chen Zheng Xue (resigned on 29 April 2016)	8/8
Ms. Shi Qiu Yu (resigned on 29 April 2016)	8/8
Mr. Xu Ming (appointed on 14 September 2016)	6/6
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong	17/19
Mr. Li Hongxiang (appointed on 4 July 2016)	6/6
Mr. Wong Kwok On (appointed on 14 September 2016)	3/3
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)	3/3
Ms. Chen Lei (appointed on 14 September 2016)	3/3
Mr. Ye Ji Li (appointed on 29 February 2016 and resigned on 14 September 2016)	15/15
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)	16/16
Mr. Zhang Xiaofei (resigned on 4 July 2016)	11/13

The Company held the Annual General Meeting on 29 June 2016.

CHAIRMAN AND CHIEF EXECUTIVE

Since 16 November 2015, Mr. Chen Yongsen is the Chairman of the Board of Directors and since 16 November 2015, Mr. Wang Shi Jin is the CEO of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. The Group is supposed to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Group is also supposed to continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Based on the records of the Company and having made specific enquiries, the Company believes that the Directors have received the following training and/or rules update and/or professional development during the Year:

Name of directors	Type of Training
EXECUTIVE DIRECTORS	
Mr. Chen Yongsen, Chairman	B
Mr. Wang Shi Jin, Chief Executive Officer	B
Mr. Chen Hua (appointed on 29 February 2016)	B
Mr. Wong Wing Choi (appointed on 29 February 2016 and resigned on 3 April 2017)	B
Mr. Zhu Jianqin (resigned on 29 April 2016)	unknown
Mr. Chen Zheng Xue (resigned on 29 April 2016)	unknown
Ms. Shi Qiu Yu (resigned on 29 April 2016)	unknown
Mr. Xu Ming (appointed on 14 September 2016)	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong	A, B
Mr. Li Hongxiang (appointed on 4 July 2016)	A, B
Mr. Wong Kwok On (appointed on 14 September 2016)	B
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)	B
Ms. Chen Lei (appointed on 14 September 2016)	A, B
Mr. Ye Ji Li (appointed on 29 February 2016 and resigned on 14 September 2016)	A, B
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)	A
Mr. Zhang Xiaofei (resigned on 4 July 2016)	N/A

Remarks:

A: attending seminars and/or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities etc.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF DIRECTORS

The Directors are supposed to be continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive Directors, as other Directors, are supposed to participate actively in the board meetings and meetings of Audit Committee, Nomination Committee and Remuneration Committee. They are supposed to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They are supposed to lead where potential conflicts of interests arise in connected transaction.

INSURANCE

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, agenda and accompanying board papers of the meeting were supposed to be sent in full to all Directors in advance before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director is supposed to have separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

As at 31 December 2016 and the date of this Annual Report, the Remuneration Committee of the Company ("**RC**") comprised of four directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei, all of whom being independent non-executive Directors. As at 31 December 2016 and the date of this Annual Report, Mr. Anson Poon Wai Kong is the chairman of the RC.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management. The primary function of the RC is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference of the RC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

During the Year, the RC held 4 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Anson Poon Wai Kong (appointed as chairman of committee on 14 September 2016)	4/4
Mr. Li Hongxiang (appointed on 4 July 2016)	1/1
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016	N/A
Mr. Chen Lei (appointed on 14 September 2016)	N/A
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)	2/3
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)	4/4
Mr. Zhang Xiaofei (resigned on 4 July 2016)	3/3

The RC has considered and approved the Group's policy for the remuneration of directors during the Year. The RC is supposed to make an assessment on the performance of the directors and other key management members and considered their remuneration package by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. Details of the remuneration of senior management (including directors) are disclosed below:

	2016 No of persons
Emoluments (including director's fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD 6,000,000 – HKD 7,000,000	0
HKD 5,000,000 – HKD 6,000,000	0
HKD 4,000,000 – HKD 5,000,000	0
HKD 3,000,000 – HKD 4,000,000	0
HKD 2,000,000 – HKD 3,000,000	1
HKD 1,000,000 – HKD 2,000,000	1
HKD 50,000 – HKD 1,000,000	13

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

As at 31 December 2016 and the date of this Annual Report, the Nomination Committee of the Company ("**NC**") comprised of five directors, namely, Mr. Chen Yongsen, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei. Four out of five NC members, namely Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei, were independent non-executive directors. As Mr. Wang Shi Jin had stepped down from Deputy Chairman with effect from 16 November 2015, there has been a deviation from Code Provision A.5.1 of the CG Code between 16 November 2015 to 29 February 2016, which provides that the NC is to be chaired by the chairman of the Board or an independent non-executive director. As at 31 December 2016 and the date of this Annual Report, Mr. Chen Yongsen, an executive director and the Chairman of the Board, is the chairman of the NC. After the appointment of Mr. Chen Yongsen as the chairman of the NC, the Company regards that it has complied with Code Provision A.5.1.

The NC was delegated with the authority of the Board of the Company to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy. The primary function of the NC is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference of the NC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

During the Year, the NC held 3 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Chen Yongsen (appointed as chairman of committee on 29 February 2016)	2/2
Mr. Anson Poon Wai Kong	3/3
Mr. Li Hongxiang (appointed on 4 July 2016)	1/1
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)	N/A
Ms. Chen Lei (appointed on 14 September 2016)	N/A
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)	1/2
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2014)	3/3
Mr. Zhang Xiaofei (resigned on 4 July 2016)	2/2
Mr. Wang Shi Jin (ceased to be a member on 29 February 2016)	1/1

CORPORATE GOVERNANCE REPORT

COMPLIANCE COMMITTEE

As at 31 December 2016 and the date of this Annual Report, the Compliance Committee of the Company ("**CC**") comprised of five directors, namely, Mr. Wang Shi Jin, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei. Four out of five CC members, namely Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei, are independent non-executive Directors. As at 31 December 2016 and the date of this Annual Report, Mr. Wang Shi Jin is the chairman of the CC.

The CC was delegated with the authority of the Board of the Company to oversee the Group's compliance with laws and regulations relevant to the Group's business operations and to review the effectiveness of the Group's regulatory compliance procedures and system. The primary function of the CC is to make oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements. The full terms of reference of the CC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

During the Year, the CC held 1 meeting. The attendance of each member is set as follows:

Name of member	Number of attendance
Mr. Wang Shi Jin (chairman of committee)	1/1
Mr. Anson Poon Wai Kong	1/1
Mr. Li Hongxiang (appointed on 4 July 2016)	N/A
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)	N/A
Ms. Chen Lei (appointed on 14 September 2016)	N/A
Mr. Ye Ji Li (appointed as a committee member on 11 April 2016 and resigned on 14 September 2016)	1/1
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)	1/1
Mr. Zhang Xiaofei (resigned on 4 July 2016)	1/1

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management is supposed to provide such explanation and information to the Board on monthly basis so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. For the purpose of the Company's financial year ended 31 December 2016, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, and the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. HLB Hodgson Impey Cheng Limited, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

INTERNAL CONTROLS

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As stated in the Company's announcements dated 31 August 2015, 6 November 2015 and 6 January 2016, the Company engaged RSM as our internal control adviser to conduct a thorough review of our internal control systems and make recommendations to the Company for this purpose. RSM has made recommendations to the Company and the Board has, on 5 November 2015, adopted the New IC Procedures which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls. In the first week of December 2015, the New IC Procedures have been circulated to all relevant staff members of the Group. The heads of the departments of each and every key operating subsidiary of the Company in China were delegated the responsibility to provide introductory training to his staff members on the New IC Procedures.

AUDIT COMMITTEE

As at 31 December 2016 and the date of this Annual Report, the Audit Committee of the Company ("**AC**") comprised of five independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei. One out of five AC members, Mr. Anson Poon Wai Kong possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. As at 31 December 2016 and the date of this Annual Report, Mr. Anson Poon Wai Kong is the chairman of AC.

No former partner of the Company's existing auditing firm acted as a member of the AC within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

5 AC meetings were held in 2016 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Anson Poon Wai Kong (chairman of committee)	5/5
Mr. Li Hongxiang (appointed on 4 July 2016)	1/1
Mr. Wong Kwok On (appointed on 14 September 2016)	N/A
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)	N/A
Ms. Chen Lei (appointed on 14 September 2016)	N/A
Mr. Ye Ji Li (appointed on 11 April 2016 and resigned on 14 September 2016)	3/3
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)	5/5
Mr. Zhang Xiaofei (resigned on 4 July 2016)	4/4

The Company's annual results for the year ended 31 December 2016 has been reviewed by the AC.

Apart from the AC meetings, the independent non-executive Directors have also conducted a meeting with the auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for the Year.

The AC monitors the audit and non-audit services rendered to the Group by its external auditor and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2016, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	1,800
Non-audit services	
— Taxation services	62
— Interim review	300
— Other	130

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

MANAGEMENT FUNCTIONS

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads of the Company and its operating subsidiaries that are responsible for different aspects of the operations of the various members of the Group.

COMMUNICATION WITH SHAREHOLDERS

EFFECTIVE COMMUNICATION

The AGM is supposed to enable the shareholders of the Company to exchange views with the Board. The Chairman of the Board and the Chairmen of AC, RC and NC are supposed to attend the AGM to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming AGM on each substantially separate issue, including the re-election of the retiring directors. The Shareholder Communication Policy is available on the Company's website: www.tatchun.com.

According to Article 58 of the Articles, 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Board of Directors of the Company by mail to Unit 1101A1, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong or by email to tatchun@tatchun.com.

VOTING BY POLL

The right to demand a poll will be set out in the circular to shareholders of the Company to be dispatched to shareholders in relation to the forthcoming AGM.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the Company's website: www.tatchun.com and the Stock Exchange's website: www.hkexnews.hk. No significant change is made to the Company's constitutional documents during the Year.

COMPANY SECRETARY

Mr. Chan Chun Kau is the Company Secretary of the Company. The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of a broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs (for up to 12 layers). The breakdown of turnover based on products is summarised as follows:

	Year 2016 HK$'000	**%**	Year 2015 HK$'000	%	Increase/ (decreased) HK$'000	Change in %
LED Lighting	**9,242**	**2.3%**	5,797	1.1%	3,445	59.4%
Single-sided PCB	**94,526**	**23.9%**	157,811	29.6%	(63,285)	(40.1)%
Double-Sided PCB	**141,909**	**35.9%**	212,969	39.9%	(71,060)	(33.4)%
Multi-layered PCB	**113,186**	**28.6%**	157,031	29.4%	(43,845)	(27.9)%
Tradings of tower and electric cable	**36,587**	**9.3%**	–	–	36,587	N/A
	395,450	**100.0%**	533,608	100.0%	(138,158)	(25.9)%

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the Year, single-sided PCB and doubled-sided PCB's used for consumer electronics accounted for approximately 59.8% (2015: 69.5%) of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 28.6% (2015: 29.4%) of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2016 HK$'000	**%**	Year 2015 HK$'000	%	Increase/ (decreased) HK$'000	Change in %
Hong Kong	**70,790**	**17.9%**	128,159	24.0%	(57,369)	(44.8)%
The PRC	**243,157**	**61.5%**	240,433	45.1%	2,724	1.1%
Asia (Excluding Hong Kong and the PRC)	**26,828**	**6.8%**	73,787	13.8%	(46,959)	(63.6)%
Europe	**40,961**	**10.3%**	67,098	12.6%	(26,137)	(39.0)%
Others	**13,714**	**3.5%**	24,131	4.5%	(10,417)	(43.2)%
	395,450	**100.0%**	533,608	100.0%	(138,158)	(25.9)%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC, summarised as follows:

Production plant	Location	Area	Products	Production capacity	Commencement of operations
LED Lighting	Shenzhen, Guangdong, the PRC	3,000 sq. m.	LED lighting	15,000 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong, the PRC	58,000 sq. m.	1 layered PCBs	1,300,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong, the PRC	52,000 sq. m.	2–12 layered PCBs	900,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$395.5 million (2015: HK$533.6 million), representing a decrease of 25.9% as compared to the last year. The turnover of LED lighting has increased by 59.4% when compared with 2015. The gross profit margin for the year of 2016 was 1.0% (2015: 7.5%). The gross profit margins for LED lighting, PCBs and Tower & electric cable are were -1.3%, –3.7% and 24.9% respectively.

The decrease in the turnover and gross profit margin for PCB business was mainly attributable to (i) increase in competition in PCB industry; and (ii) reduction in the average selling price of PCB. Loss attributable to shareholders was approximately HK$89.0 million (2015: HK$81.2 million).

IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised respectively for 2015 and 2016 in respect of plant and machinery and leasehold improvements.

IMPAIRMENT LOSS IN RESPECT OF INVENTORIES

No impairment loss (2015: HK$Nil) has been recognised in respect of inventories for the year ended 31 December 2016.

RECOGNISED SHARE BASED PAYMENTS

During the year ended 31 December 2016, the Group did not recognise any share based payment (2015: HK$Nil). No negative cash flow effect is made to the Group as a result of these share based payments.

WRITTEN OFF/IMPAIRMENT LOSS RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

During the Year, the management performed an impairment assessment on trade receivables and other receivables, total net impairment losses of HK$13.87 million including both LED lighting and PCB business were recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2016, the Group had total assets of approximately HK$922.4 million (31 December 2015: HK$980.2 million) and interest-bearing borrowings of approximately HK$243.4 million (31 December 2015: HK$166.4 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 26.4% (31 December 2015: 17.0%).

The Group had net current liabilities of approximately HK$4.1 million (31 December 2015: net current assets of HK$9.8 million) consisted of current assets of approximately HK$637.9 million (31 December 2015: HK$687.60 million) and current liabilities of approximately HK$642.0 million (31 December 2015: HK$677.8 million), representing a current ratio of approximately 0.99 (31 December 2015: 1.01).

As at 31 December 2016, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$146.8 million (31 December 2015: HK$129.5 million). As at 31 December 2016, the Group had cash and bank balances (excluding pledged bank deposits), of approximately HK$67.8 million (31 December 2015: HK$43.8 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). However, foreign currencies, mainly United States Dollars ("**US$**") are required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2016, the Group employed a total of approximately 1,322 employees (31 December 2015: 1,687), including approximately 1,260 employees in its Zhongshan production site, 40 employees in its PRC LED and other business units and approximately 22 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend (31 December 2015: Nil).

LITIGATIONS

(a) The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**") seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. Mr. Li was formerly the chief executive officer and executive director the Company before he resigned on 5 June 2015. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,224,000 being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company's operations or financial position. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May and 14 July 2016.

(b) In August 2016, Shenzhen Qianhai Dahuangyuan Finance Lease Company Limited (深圳市前海大荒緣融資租賃有限公司) applied to the China Guangzhou Arbitration Commission for an arbitration against TCO Jiangsu alleging that TCO Jiangsu owed the applicant joint and several liability in the payable in the amount of RMB4,200,000 owed by certain subsidiaries of the Group to the applicant. On 4 August 2016, a conciliation statement was issued by the China Guangzhou Arbitration Commission, vide Case No. (2016) Wei Zhong Zhong An Zhi Di 5476 ((2016) 穗仲中案字第5476號) (the "**Arbitration**"), in which TCO Jiangsu agreed to pay the alleged amount of RMB4,200,000. In September 2016, the applicant applied to Lianyungang Intermediate People's Court for an enforcement order in favour of the applicant to enforce against certain bank accounts of TCO Jiangsu for the amount of RMB4,464,854. Having regard to the Notice of Enforcement Conclusion issued by the Lianyungang Intermediate People's Court, the court case No. (2016) Su 07 Zhi No. 332 ((2016) 蘇07執332號) had been enforced and concluded and accordingly, the PRC legal adviser of the Group, Beijing Yingke Law Firm Guangzhou Office, advised that there is no possibility that the Jiangsu Land will be seized under the Arbitration.

(c) On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TCO Jiangsu**"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司中雲分公司 (the "**Plaintiff**") against TCO Jiangsu and filed with Lianyungang City Lianyun District People's Court ("**Lianyungang Court**") together with the related court summons, whereby the Plaintiff alleged that TCO Jiangsu shall make a payment of RMB1,331,000 (approximately HK$1,662,000) to them in settlement of certain construction cost. In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang Court made an order requiring TCO Jiangsu to make full payment under the claim. In April 2016, Lianyungang Court granted a seizure order (the "**Seizure Order**") over a piece of land ("**Jiangsu Land**") owned by TCO Jiangsu in favour of the Plaintiff, such that if TCO Jiangsu fails to settle the judgment debt then Lianyungang Court shall arrange for an auction or market disposal of the Jiangsu Land. In September and October 2016, other subsidiaries of the Group have fully settled the Plaintiff's judgment debt on TCO Jiangsu's behalf. In November 2016, upon TCO Jiangsu's application to Lianyungang Court, the Seizure Order over the Jiangsu Land was discharged.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INFORMATION *(Continued)*

APPOINTMENT OF COMPLIANCE OFFICER AND INTERNAL AUDITOR

On 1 April 2016, the Company appointed:

(1) Ms. Ho Wing Yan as the Company's full-time compliance officer to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control system and directors' training; and

(2) Mr. Wong Wing Cheung as the Company's full-time internal auditor to monitor and ensure compliance of financial reporting and internal control procedures of the Group.

FUND RAISING ACTIVITIES

(A) ISSUANCE BY WAY OF OPEN OFFER OF 265,369,901 SHARES AT HK$0.10 PER SHARE

As announced by the Company on 25 May 2016, the Company entered into an underwriting agreement dated 25 May 2016 with an underwriter in relation to the underwriting of 265,369,901 ordinary shares of the Company to be issued by way of open offer on the basis of one offer share for every two existing shares at the subscription price of HK$0.10. The open offer has become unconditional on 18 July 2016, with 208,632,002 offer shares taken up by qualifying shareholders and 56,737,899 untaken offer shares being allotted and issued to sub-underwriters and subscribers under procurement of the underwriter in performance of its underwriting obligations.

The gross and net proceeds from the open offer were approximately HK$26.5 million and HK$25 million, respectively. The Company intended to apply the net proceeds from the open offer for settlement of the Group's current liabilities as they fall due. As of 31 December 2016, the entire amount of the net proceeds from the open offer was utilized as intended.

(B) SUBSCRIPTIONS OF 106,147,960 SHARES AT HK$0.198 PER SHARE

As announced by the Company on 14 June 2016, the Company entered into subscription agreements with thirteen subscribers in relation to the subscriptions of 106,147,960 ordinary shares of the Company at the placing price of HK$0.198. The subscriptions were carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 11 April 2016. Completion of the subscriptions took place on 21 June 2016, with 106,147,960 ordinary shares of the Company allotted and issued to the thirteen subscribers.

The gross and net proceeds from the subscriptions were approximately HK$21.02 million and HK$20.92 million, respectively. It was intended that such net proceeds will be used by the Company for settlement of the Group's current liabilities as they fall due. As of 31 December 2016, the entire amount of the net proceeds from the subscriptions was utilized as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES *(Continued)*

(C) SUBSCRIPTIONS OF 127,377,552 SHARES AT HK$0.19 PER SHARE

As announced by the Company on 14 September 2016, the Company entered into share subscription agreements with six subscribers in relation to the subscriptions of 127,377,552 ordinary shares of the Company at the subscription price of HK$0.19. The subscriptions were carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 29 June 2016. Completion of the subscriptions took place on 26 September 2016, with 127,377,552 ordinary shares of the Company allotted and issued to the six subscribers.

The gross and net proceeds from the subscriptions were approximately HK$24.2 million and HK$24.0 million, respectively. It was intended that such net proceeds will be used by the Company for settlement of the Group's current liabilities as they fall due. As of 31 December 2016, the entire amount of the net proceeds from the subscriptions was utilized as intended.

(D) SUBSCRIPTIONS OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

As announced by the Company on 26 September 2016, the Company and 17 convertible bond subscribers entered into the CB Subscription Agreements in relation to the issue of convertible bonds of the Company in an aggregate principal amount of HK$285,000,000. The initial conversion price was HK$0.10 per conversion share. For details of the subscription, please refer to the announcements of the Company dated 26 September 2016, 17 October 2016, 18 November 2016, 13 January 2017, 20 February 2017, 20 March 2017 and 31 March 2017.

The subscription of the convertible bonds are subject to, inter alia, the grant of whitewash waiver and independent shareholders' approval at the general meeting. As at the date of this report, the whitewash waiver has not been granted and the CB subscription has not been completed.

TRADING HALT

With effect from 10:48 am on 24 April 2015, the trading in the Shares on the Stock Exchange was suspended. Trading in the Shares resumed on the Stock Exchange with effect from 9:00 am on 18 April 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES *(Continued)*

CHARGE OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2016	2015
	HK$'000	HK$'000
Buildings	**129,778**	140,834
Plant and machinery	**–**	860
Pledged bank deposits	**79,051**	85,737
Prepaid lease payments	**18,843**	19,459
Bills receivable	**1,544**	–
	229,216	246,890

CONTINGENT LIABILITIES

The Company has no contingent liabilities for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

Any arrangements regarding the closure of register of members for determining the eligibility of shareholders to attend and vote at the forthcoming AGM of the Company will be disclosed in the Company's circular to be dispatched in relation to the AGM.

OUTLOOK

The Group anticipates that the export market of the PCB business will continue to be difficult in 2017. Although the Group has been developing the local PRC market to seek to develop its market share, it is necessary for the Group to dedicate more efforts on the research and development with the view to achieving product upgrade. In this respect, the Group has paid high attention to develop high value added PCB products, particularly the copper-based PCB engaged in clean and environmental-friendly applications. The Group is expecting corporate customers in the copper-based PCB sector, which will hopefully be able to re-ignite the revenue growth for the PCB business.

The Group will continue to consolidate its business in LED by focusing on credit management and to optimize the trade receivable collection. The Group will focus its efforts in pursuing after street light projects in the PRC by partnering with contractors with extensive experience and capability to execute the projects, while taking a role to strengthen the relationships with the governments or agencies in the cities where the projects are located. Product wise, the Group plans to specialize in certain product range in order to tap the market trends in the future.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Yongsen, aged 46, was appointed as an executive Director with effect from 12 August 2015, was appointed as the Chairman of the Board with effect from 16 November 2015 and the chairman of the NC with effect from 29 February 2016. Mr. Chen has over 21 years' experience in hotel management. Since as early as the 1990's, he was responsible for key managerial positions in various hotels in Shenzhen, China. From around 11 years ago, Mr. Chen started his own business, and owned a factory and managed a hotel in Shenzhen, China.

Mr. Wang Shi Jin, aged 63, was appointed as an executive Director with effect from 29 January 2015 and appointed as the Deputy Chairman of the Company with effect from 5 June 2015. Mr. Wang stepped down from the position of the Deputy Chairman and was re-designated as the Chief Executive Officer of the Company with effect from 16 November 2015. Mr. Wang was appointed as the chairman of the NC between 8 October 2015 and 29 February 2016. Mr. Wang is a founder of a reputable company in the PRC specializing in advanced technologies and engineering services. Mr. Wang obtained a bachelor's degree and a master's degree from the Peking University and furthered his studies in America as candidate for the Doctor of Philosophy.

Mr. Chen Hua, aged 54, was appointed as an executive Director with effect from 29 February 2016. Mr. Chen has over 34 years of experience in property construction and engineering and project management in China. He obtained a Bachelor of Civil Engineering from Sun Yat-sen University, Guangzhou in 1983. Mr. Chen was appointed to assist Mr. Chen Yongsen, the Chairman of the Board, to supervise the Group's operation and development.

Mr. Xu Ming, aged 45, was appointed as executive Director with effect from 14 September 2016. He obtained a master's degree in Economics and Management from Wuhan University, China. Mr. Xu is currently a director of Shenzhen Senhe Holdings Limited (深圳市森和控股集團有限公司), the scope of business of which include asset management, stock investment, management consultancy and the provision of guarantee.

Mr. Guo Jun Hao, aged 35, was appointed as executive Director of the Company with effect from 10 April 2017. Mr. Guo obtained a bachelor's degree in arts from the University of Wolverhampton in 2004, a master's degree in social sciences from The University of Leicester in 2006 and a master's degree in science from the University of Warwick in 2007. Before joining the Company, Mr. Guo has over 6 years of experience working in financial institutions in China and has occupied management position responsible for customer services, staff training, sales and marketing. Mr. Guo will also be appointed as the general manager of the Company's subsidiary, TC Hong Kong Electric Company Limited and be responsible for overseeing its sales and marketing operations.

Mr. Wong Wing Choi, aged 52, was appointed as an executive Director with effect from 29 February 2016. He has first joined the Company in March 2001 and was previously an Executive Director of the Company between 5 June 2006 and 23 January 2009. Mr. Wong was also the Managing Director of the Company between 5 June 2006 and 2 January 2007, and the Chief Executive Officer of the Company between 2 January 2007 and 23 January 2009. Mr. Wong re-joined the Company as an Executive Director on 29 February 2016. Mr. Wong obtained a bachelor's degree in Engineering from The University of Hong Kong in 1988, a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science from The Chinese University of Hong Kong in 1998. Prior to joining and re-joining the Company, Mr. Wong had worked for a number of multi-national companies with exposure to different industries and at senior management levels. Mr. Wong was responsible for supervising the operation of the Company's subsidiary, Zhongshan Tat Chun Printed Circuit Board Company Limited and training its management. With effect from 3 April 2017, Mr. Wong resigned as an Executive Director.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhu Jianqin, aged 43, was appointed as an executive Director with effect from 7 September 2010. Mr. Zhu is an expert in LED control systems and has more than 18 years of working experience in electronic industry. Mr. Zhu has obtained a bachelor's degree and a master degree in Engineering at Harbin Institute of Technology. He was the co-founder of Shenzhen Maxcolor Opto-Semiconductor Lighting Technology Limited and re-structured it as Orient Opto-Semiconductors Corp. ("**Dongfang**") in 2009. Mr. Zhu is a shareholder and director of Dongfang (a holder of 30% interest of a subsidiary of the Company). With effect from 29 April 2016, Mr. Zhu resigned as an executive Director.

Mr. Chen Zheng Xue, aged 50, was appointed as independent non-executive Director of the Company and member of the Audit Committee and Nomination Committee and the Chairman of the Remuneration Committee of the Company with effect from 16 October 2014. Mr. Chen was re-designated as an executive Director of the Company with effect from 29 January 2015 and ceased to be a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee with effect from 29 January 2015. Mr. Chen is an economist and holds a specialty degree and master's degree in business administration from Xiamen University. Mr. Chen has extensive experience in credit and finance, asset management and business management including holding major positions in a bank. He also worked at the management level in several investment firms involving major financing and investment projects and important management decision making. With effect from 29 April 2016, Mr. Chen resigned as an executive Director.

Ms. Shi Qiu Yu, aged 44, was appointed as a non-executive Director of the Company with effect from 16 October 2014 and was re-designated as an executive director of the Company with effect from 29 January 2015. Ms. Shi graduated from the School of Arts of Hubei Province* (湖北省藝術學校) and holds a master's degree in business administration from the University of Hubei* (湖北大學). Ms. Shi has extensive experience in business project operation. With effect from 29 April 2016, Ms. Shi resigned as an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong, aged 45, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Mr. Poon received his Bachelor of Economics in University of London in United Kingdom, followed by Master of Practicing Accounting in Monash University in Australia, Master of Business Administration and Master of Professional Accounting and Corporate Governance both in City University of Hong Kong. Mr. Anson Poon is a qualified member of Hong Kong Institute of Company Secretary, a qualified member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant (Australia). He is currently an executive director of Tou Rong Chang Fu Group Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 850).

Mr. Li Hongxiang, aged 26, was appointed as an independent executive Director with effect from 4 July 2016 and graduated from the University of Sydney, Australia with a Bachelor of Commerce (Accounting and Economics). Mr. Li has participated in the organization of youth and student activities amongst the Chinese population in Australia.

Mr. Wong Kwok On, aged 62, was appointed as an independent non-executive Director of the Company since 14 September 2016 and he has previously worked in licensed corporations in Hong Kong engaging in securities, futures and corporate finance. Mr. Wong is currently the Chairman of the Hong Kong Securities & Futures Professionals Association.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Bonathan Wai Ka Cheung, aged 25, was appointed as Independent non-executive Director of the Company since 14 September 2016 and he graduated from University of Waterloo, Canada with a Bachelor of Arts in Economics. Mr. Cheung has experience in working in a securities brokerage company in Canada.

Ms. Chen Lei, aged 27, was appointed as Independent non-executive Director of the Company since 14 September 2016 and she graduated from Guangzhou College of South China University of Technology, China with a Bachelor of Business Administration. Ms. Chen has previous experience in human resources and business administration.

Mr. Poon Chi Choy, Sonny, aged 67, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Mr. Sonny Poon has over 35 years of experience in the accounting and banking industry. Mr. Sonny Poon acted as the Chief Auditor of an international bank from 1998 to 2004 and served the Financial Controller of the same international bank from 1993 to 1998. With effect from 14 September 2016, Mr. Sonny Poon resigned as an independent non-executive Director.

Mr. Zhang Xiaofei, aged 49, was appointed as an independent non-executive Director with effect from 16 November 2015. Mr. Zhang obtained a master's degree in computer science from the University of Texas at Dallas in 1998. Mr. Zhang has extensive experience in technology and management consulting. With effect from 4 July 2016, Mr. Zhang Xiaofei resigned as an independent non-executive Director.

Mr. Ye Ji Li, aged 52, was appointed as an independent non-executive Director of the Company with effect from 29 February 2016, he has over 15 years' experience in senior management of enterprises in China engaged in various industries including property development, manufacturing, trading, information technology and construction. He obtained a Bachelor of Economics and Management from Guangzhou Open University in 1988. With effect from 14 September 2016, Mr. Ye Ji Li resigned as an independent non-executive Director.

SENIOR MANAGEMENT

Mr. Chen Changzhi, aged 53, was appointed the Chief Financial Officer of Zhongshan Tat Chun Printed Circuit Board Company Limited, Zhongshan Electric Company Limited and Guang Dong Tat Chun Electric Technology Co., Ltd. on 1 August 2013. Mr. Chen has extensive experience of over 30 years in the accounting and financial field in various companies in China and Hong Kong. He holds a Bachelor of Financial Accounting from Hunan University.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society, strives to set a good example for the public, while conducting business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

ENVIRONMENT

A1. POLICY ON EMISSION OF EXHAUST GAS AND GREENHOUSE GAS, DISCHARGING POLLUTION THROUGH WATER AND LAND, PRODUCING HAZARDOUS AND NON-HAZARDOUS WASTES

Protecting environment is one of our key concerns; we are committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment.

1. Energy Management

The indirect greenhouse gas emission, which generated from our daily electricity power consumption, is the main source of the Group's carbon footprint, we will keep monitoring and disclosing the Company's carbon footprint to find out and control the impact of our daily operation on environment. At the same time, we will implement the following energy-saving and energy efficiency measures at various office locations to reduce greenhouse gas emission:

a. Install high-performance electrical equipments
b. Purchasing department is required to purchase energy-efficient products
c. Employ automatic lighting control system
d. Deploy LED lighting on office floors
e. The employees must turn off light and unnecessary energy device to reduce energy consumption and avoid unnecessary waste of energy
f. Deploy natural light as much as possible on office floors
g. Install auxiliary electricity meter to monitor electricity consumption
h. Other energy-saving and energy efficiency measures

Our finance department should collect information about usage of electricity annually for the management to disclose in their ESG report in the financial year starts from 1 January 2017 or later.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT *(Continued)*

A1. POLICY ON EMISSION OF EXHAUST GAS AND GREENHOUSE GAS, DISCHARGING POLLUTION THROUGH WATER AND LAND, PRODUCING HAZARDOUS AND NON-HAZARDOUS WASTES *(Continued)*

2. Waste Management

In order to lighten the load of landfills, we adopt a responsible waste management policy, including waste avoidance, reducing waste from its source and reuse, recycling and responsible disposal of waste. Our offices should post memos and notices everywhere, encouraging the employees to reduce the production of waste. We have introduced waste separation measures from the start:

a. Waste paper (excluding paper cup, paper plate, etc.)
b. Metal (aluminum can and other metal cans)
c. Plastics (plastic bottle, container and packaging materials)
d. Other recyclables (such as old cloth, electrical appliance, computer, magazine, etc.)

A2. POLICY ON EFFECTIVE USE OF RESOURCES (INCLUDING ENERGY, WATER AND OTHER RAW MATERIALS)

1. Reducing electricity consumption

Comply with the Group's policy on emission of exhaust gas and greenhouse gas, discharging pollution through water and land, producing hazardous and non-hazardous wastes to reduce electricity consumption.

2. Paper reduction

In order to reduce waste paper, we have developed the following measures:

a. Deploy recycling bins to collect used paper products such as waste paper, poster, letter and envelope;
b. Place waste paper recycling bin next to printer and set aside the papers that already printed once so that you can choose whether reuse it or put it into the bin;
c. Saving paper by double-sided printing;
d. Writing on both sides of papers;
e. Bring your own cup and avoid using paper cup;
f. Reuse stationeries such as file folder and envelope;
g. Reuse packaging box;
h. Other than the waste paper that contains confidential information, waste paper should be shipped to paper mill or scrap paper company so as to be recycled into new paper.

Each year, our finance department shall collect information about the paper products the Company purchased and the waste paper that shipped to scrap paper company or paper mill for the management to disclose in their ESG report in the financial year starts from 1 January 2017 or later.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT *(Continued)*

A2. POLICY ON EFFECTIVE USE OF RESOURCES (INCLUDING ENERGY, WATER AND OTHER RAW MATERIALS) *(Continued)*

3. Water conservation

   In Hong Kong, fresh water is a precious resource, we should economize water, try to protect water resource, and for which we have developed the following measures:

   a. Repair dripping faucet or hose in a timely manner
   b. Adopt effective water-saving production methods and instruments
   c. Check water consumption regularly
   d. Minimize water pressure

4. Green procurement

   Green procurement is based on reducing environmental load. Quality, cost, delivery time are the main focuses when the Company procures goods or chooses supplier, but other than that, we give priority to environmentally friendly and energy-saving products.

   a. Give priority to energy-efficient products at the highest level
   b. Give priority to effective water-saving products
   c. We require the suppliers to reduce packaging material
   d. Send the message to suppliers that we value environmental protection, energy saving

A3. POLICY ON MITIGATING THE GROUP'S SIGNIFICANT IMPACT ON ENVIRONMENT AND NATURAL RESOURCES

The Group manages and minimizes the impact it may cause to environment, directly or indirectly, through the following methods:

1. Make sure its business operation comply with the environmental law in Hong Kong and its operating locations
2. Establish and improve environmental protection mechanism to ensure its operation does not pollute water and land
3. Monitor gas emission and use of resource, establish emission reduction target
4. Make sure that in our daily business operation, with all efforts, we conserve energy, water and other raw materials to reduce direct impact on environment
5. Whenever the Company holds banquet, shark fin is out of question and sustainable seafood should be served. Order reasonable quantity and reduce waste
6. Urge the employees to reduce paper usage and adopt other energy-saving measures
7. Cooperate with government agencies and support environmental organizations' activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY

EMPLOYMENT AND LABOR CONVENTION

Employee is an important asset of the Company, we care about their well-being, respect their personal traits, make sure that all employees are subject to legislative protection and have equal opportunity in their career path, also, we strive to increase their sense of belonging.

B1. POLICY ON SALARY, DISMISSAL, RECRUITMENT, PROMOTION, WORKING HOURS, DAY OFF, EQUAL OPPORTUNITY, DIVERSITY, ANTI-DISCRIMINATION AND OTHER BENEFITS

1. Salary

   We offer competitive pay and benefits to the employees according to their job requirement and individual performance. We will annually review the overall salary and benefits to ensure the Company's competitiveness in local market, we even refer to the relevant industries and similar organizations. Each year, KPIs will provide direction and guidance to the employees' individual work plan. We also assess the achievements and contributions of the employees to appraise and reward them.

2. Dismissal

   We ensure that all employees under the employment protection laws of Hong Kong, including:

   a. Whenever an employee offers to resign or being laid off, human resource should interview him or her before quitting to find out the reason of quitting;
   b. It is required to issue employment verification document to the dismissed employee;
   c. When the employer terminates employment contract, the dismissed employer shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave;
   d. An employee cannot be dismissed when she has been confirmed pregnant or given notice of pregnancy;
   e. An employee cannot be dismissed when he or she takes a paid sick leave;
   f. An employee cannot be dismissed due to he or she gives evidence or information in any legal proceeding relating to enforcement of labor laws, industrial accident or breach of work safety regulation;
   g. An employee cannot be dismissed due to he or she joins in labor union or participates in labor union activities; and
   h. If an employee is injured on duty, if a compensation agreement has not yet been reached or the relevant evaluation certificate has not yet been issued, the employee cannot be dismissed.

3. Recruitment and promotion

   In the Company, recruitment and promotion should be fair and open for all employees, and cannot be affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors, the employees will be recognized and rewarded by their contribution, work performance and skills, the Company will do its best to provide them with good working environment and development opportunity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY *(Continued)*

B1. POLICY ON SALARY, DISMISSAL, RECRUITMENT, PROMOTION, WORKING HOURS, DAY OFF, EQUAL OPPORTUNITY, DIVERSITY, ANTI-DISCRIMINATION AND OTHER BENEFITS *(Continued)*

4. Working hours and day-off

The employees shall enjoy deserved days-off under the laws of Hong Kong or the location they work at Hong Kong employees are entitled to enjoy the following days-off:

a. Each employee can take a day off in every 7 days;
b. If the day-off falls on a statutory holiday, compensatory time off shall be offered on the following day;
c. Manager can ask employee to work on the day off, but employee can choose not to. If the employee agrees, a day off can be arranged in other time, but the said day off shall be planned before the scheduled day off in the same month, or within 30 days after it;
d. Statutory holidays;
e. Paid annual leave prescribed by employment contract;
f. Sick leave;
g. Female employee can take maternity leave so long as she comply with the continuous contract to serve the employer and give notice of pregnancy before the leave; and
h. Maternity leave cannot be substituted by wage.

5. Policy on equal opportunity, diversity, anti-discrimination and other benefits

Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance must be complied with, equal opportunity must be provided on recruitment, training, promotion, transfer, remuneration, benefits and termination of contract. Such opportunities shall not be affected by factors such as age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY *(Continued)*

B2. POLICY ON SAFE WORKING ENVIRONMENT AND SAFEGUARDING THE EMPLOYEES FROM OCCUPATIONAL HAZARDS

We are committed to protecting the health and safety of the employees and the community, we require all employees to comply with all relevant occupational health and safety regulations, and do our utmost to provide them with safe and healthy working environment, as a result, we have implemented the following methods:

1. Develop internal guidelines to ensure that office and work environment is in line with or higher than the requirements of relevant laws;
2. Establish safety procedures for the recognized dangerous work;
3. Provide necessary protective equipment and medical insurance to the employees;
4. Ensure that office and working environment is healthy and safe, regularly check machinery and equipment;
5. Establish emergency measures such as fire or explosion emergency plan;
6. Regularly arrange rescue, fire and evacuation drills;
7. Establish mechanism to record industrial injury and analyze the cause;
8. Provide and maintain an environmental, healthy and safe working condition;
9. Unless prior approval, purchasing alcoholic beverage and illegal drugs is prohibited in the workplace;
10. Actively promote environmental protection, health and safety awareness of the employees, and support development of environmental protection, health and safety in the industry; and
11. Provide all employees with needed job information, guidance, training and supervision.

B3. POLICY ON IMPROVING THE EMPLOYEES' KNOWLEDGE AND SKILLS TO PERFORM THEIR RESPONSIBILITIES

Talent development is an important part of our human resource strategy. We understand that the employees' knowledge and skills are essential to the Company's operation and business growth, good development plan lays a good foundation for the employees to face business challenge in the future, it also helps them to grasp promotion opportunities, fulfill their career aspirations. We provide the employees with effective training and develop a clear promotion ladder, ensuring that the employees have the required skills; we also nurture outstanding successors for the Group's and breed academic atmosphere. The Group conducts performance evaluation annually, and based on the assessment result to provide the staff with appropriate training, and offer job, development and promotion opportunities for outstanding employees. Under the Group's Human Resource Management System requirements, HR manager is responsible for carrying out related assessment and training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY *(Continued)*

B4. POLICY ON PREVENTING CHILD LABOR OR FORCED LABOR

The Group firmly adopts a zero-tolerance policy on child labor and forced labor, such conduct is prohibited by international standard and relevant domestic legislation and shall never be tolerated in here. In any part of the business process (including our subcontractors or suppliers), child labor or forced labor is not allowed, we see child labor or forced labor as a serious crime. The following is the policy on preventing child labor or forced labor:

1. Child labor refers to employment of people under 16 years of age, if any country or region in which the Company or its subsidiary operates has a more stringent definition of child labor, the definition shall prevail;
2. Forced labor refers to people provide labor or service against their will and under the threat of punishment;
3. The hired employees must be at least 16 years of age, the Group shall never recruit child labor and forced labor, and if it knows child labor or forced labor exists in its suppliers or subcontractors, the Group will not conduct business with them anymore;
4. The employees under 18 may not engage in any possible hazardous work and prohibited to work at night, because it might affect their education;
5. Before hiring any job applicant, HR should take effective procedures to verify their age. HR should check documents that prove the age of the applicant, including government-issued photo identification and birth certificate, driver's license, household register, academic certificates or any other credentials that prove the date of birth. And HR must ensure that the applicant's looks is consistent with the photograph on the ID card;
6. HR department should carry out prevention training about child labor and forced labor, especially those responsible for recruitment;
7. If employment of child labor under the legal minimum age is found in the Group, we will see to the best interests of the child, and take the following measures in line with relevant legislations:
    a. Take the child away from workplace immediately, ensure the safety of the child;
    b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the child under 16 years of age, sever labor relations with the child, notify the local social welfare institution, and take remedial measures to protect the child's best interest;
    c. Send the child to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the child's physical and mental health, and conduct investigation to fully understand the child's situation;
    d. When the child reaches legal minimum age for employment, we will provide the child with re-employment opportunity; and
    e. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.
8. If forced labor is found in the Group, we will take the following measures in accordance with the requirements of the relevant legislation:
    a. Take the labor away from workplace immediately, ensure the safety of the labor;
    b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the person is subject to compulsory labor;
    c. Send the labor to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the labor's physical and mental health, and conduct investigation to fully understand the labor's situation; and
    d. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICE

B5. POLICY ON CONTROLLING ENVIRONMENTAL AND SOCIAL RISK IN SUPPLY CHAIN

We attach importance to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. We will take a fair and open principle on procurement of materials and services. We will only cooperate with the suppliers that share common moral values and standards with us, the Company also supports and encourages the suppliers to promote efficient use of resources and environmental protection and fulfill corporate social responsibility:

1. We advocate the principle of fair and open competition, and based on mutual trust, we develop and maintain long-term relationships with the suppliers and contractors;
2. We have strict ethical standards in procurement of materials and services to ensure the quality of the finished products and maintain the continued confidence of the clients, suppliers and general public;
3. We review our suppliers, assess them based on price, quality, suitability and demands, only those being rated as qualified are our approved suppliers, we only purchase from the approved suppliers;
4. We conduct follow-up assessment on the suppliers, and, if necessary, review them through a third party organization. When a supplier is found to be inconsistent with the Company's policy or contractual requirements, the Company will terminate future cooperation until the situation has been improved;
5. In an unprejudiced way, we choose appropriate, responsible and capable suppliers;
6. Support and encourage the suppliers to improve their environmental products and services, and their employees' benefits and protection;
7. The suppliers must comply with the relevant laws, regulations and contractual obligations; and
8. We shall adopt effective monitoring and management system to detect and prevent bribery, fraud or other misconducts in procurement and bidding processes.

B6. POLICY ON HEALTH, SAFETY, ADVERTISING, LABELING, PRIVACY AND REMEDIES OF THE PRODUCTS AND SERVICES

Health and safety of products and services

We are committed to providing the customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

1. Make sure that the products and services comply with related laws and guidelines;
2. Provide the customers with accurate product information and high-quality products, and develop recovery policy and after-sale service for related products;
3. If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers; and
4. After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps improving.

Advertising, labeling and protection of customer information

Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICE *(Continued)*

B7. POLICY ON PREVENTING BRIBERY, EXTORTION, FRAUD AND MONEY LAUNDERING

Ethics and integrity is the cornerstone of the Company's success, we adopts a Zero Tolerance approach to bribery, extortion, fraud and money laundering, in their daily work, the directors, management and staff must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. All employees not only have responsibility to understand and comply with the above regulations, but also have obligation to report violation to the fit and appropriate person. Any person, who contravenes the regulations, will be subject to disciplinary sanction. We will make every effort to protect the informer and received information. However, if an informer's intention is to harm others, they may be subject to disciplinary punishment.

1. Soliciting or accepting benefit

   Any employee (including the directors, management and all full-time, part-time, hourly, temporary workers) cannot directly, indirectly, or in any form, solicit or accept any form of benefits or do anything that might be seen as bribe from a third party, including, but not limited to, money, gift, excessive entertainment and hospitality, subsidized travel and accommodation, loan, pledging as guarantor, extending preferential credit terms, fee, reward, position, employment, contract, service, privilege, exemption of all or part of the responsibilities that ought to be fulfilled. The employees should reject any direct or indirect interests and benefits relating to the Group's business, should such benefits being accepted, their objective attitude would hamper, or the interests of the Company would be harmed or invaded, or causing bias or misconduct.

   In social events such as festivals, activities, entertainments and other daily routine, refusing to accept a modest gift may be considered impolite or lack of social grace, with that in mind, under the following principles, the employees may consider accepting benefits on a voluntary basis:

   a. Receiving related benefits will not affect performance and decision of the employee;
   b. The employee will not feel the need to reciprocate;
   c. The employee can openly discuss the benefits;
   d. Holiday or banquet gift, prize or souvenir, its value shall not more than HK$500.

   For gift, prize or souvenir worth more than HK$500, the employee shall file a declaration form, if the employee has questions about admissibility of the related benefits, he or she could consult HR manager or general manager.

   If the Company finds out any employee's inappropriate behavior of soliciting or accepting benefits, it will call the police and terminate labor relations with the employee.

2. Providing benefits

   In any case, any employee shall not provide bribe or improper benefits to any person or organization in order to seek personal gain or group interests. If the Company finds out any employee has conducted bribery, it will call the police and terminate labor relations with the employee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICE *(Continued)*

B7. POLICY ON PREVENTING BRIBERY, EXTORTION, FRAUD AND MONEY LAUNDERING *(Continued)*

3. Extortion

Any person who seeks for benefit for his own or another person, or with intent to cause loss to another person, and makes any unwarranted demand by extortion, such conduct shall be considered as extortion. All employees shall not participate in, assist, cover up any kind of extortion, if the Company finds out any employee has conducted extortion, it will call the police and terminate labor relations with the employee.

4. Fraud

Any person, who uses any means of deception to benefit himself or another person, or with intent to cause loss to another person, such conduct shall be considered fraud, the common employee fraud includes embezzlement, wage fraud and stealing company assets. All employees shall not participate in, assist, cover up any fraud, if the Company finds out any employee has conducted fraud, it will call the police and terminate labor relations with the employee.

5. Money Laundering

Money laundering refers to an individual or institution attempts to conceal the source of illicit money, or makes such money look legitimate in any way. The Company will not tolerate any employee conduct, support, and assist any form of money laundering.

The Company should establish an anti money laundering team, general manager should be the team leader and responsible for organizing the anti money laundering team. The team's main responsibilities include organizing, implementing anti money laundering task, investigating reported money laundering, arranging anti money laundering training, working with regulatory and judiciary authorities to investigate suspicious transactions of funds, as well as paying attention to requirements and updates in anti money laundering laws and regulations.

Anti money laundering procedures include identifying clients, keeping transaction record, reporting and follow-up investigating of suspicious transaction, and anti money laundering training.

a. Identifying clients

In the development of clients, sales people must establish a high degree of awareness of anti money laundering, through communication with prospective clients to comprehensively grasp the clients' information, running the first check on the clients. After successful client acquisition, regular contact is required to grasp the clients' updates. If an abnormal situation occurs, the sales person needs to timely communicate with the relevant departments.

b. Keeping transaction record

Sales people and accounting personnel should keep customer identification information, including registering customer identification and related information, all sorts of records and information reflecting payment authority's customer identification process, and keep transaction records such as each transaction's information, business voucher, ledger and documents reflecting real situation of each transaction and other relevant information to ensure that each transaction is traceable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICE *(Continued)*

B7. POLICY ON PREVENTING BRIBERY, EXTORTION, FRAUD AND MONEY LAUNDERING *(Continued)*

5. Money Laundering *(Continued)*

   c. *Reporting and follow-up investigating of suspicious transaction*

   Sales people and accounting staff, should they find out a suspicious transaction, need to report it immediately to the corporate headquarters' anti money laundering team. The team analyzes and investigates all suspicious transaction reported, if there are reasonable grounds to believe that the transaction or the customer has ties with money-laundering, terrorism and other criminal activities, the HKSAR Government JFIU should be notified.

   d. *Anti money laundering training*

   All employees should join in anti money laundering training at least once a year, the training includes learning the danger of money laundering, anti money laundering regulations, the role of the employees in anti-money laundering, how to identify suspicious transactions, ways to report suspicious transaction, the consequences if one fails to comply with anti money laundering regulations.

COMMUNITY

B8. POLICY ON FINDING OUT THE NEEDS OF THE COMMUNITY, AT WHICH THE COMPANY OPERATES, BY MEANS OF COMMUNITY INVOLVEMENT, AND ENSURING THAT ITS BUSINESS ACTIVITIES WILL TAKE INTO ACCOUNT THE INTERESTS OF THE COMMUNITY

For the Company's long-term development, community participation is important, we are committed to promoting development and construction activities of the community, at which we operate. We benefit the community through a variety of actions, such as investment, contributing money, time, products, services, influence, management knowledge and other resources.

We participate in community building through three main ways:

1. Organize, facilitate and support the staff to take part in volunteer services, such as regularly visiting people who need help, arranging outdoor activities for disadvantaged groups, holding Blood Donation Day.
2. By means of donation, we donate money, goods or services, directly supporting or funding projects of various social service agencies. In addition to donation itself, we also appeal to the Company's stakeholders (including the employees and customers) to donate.
3. We endeavor to provide employment opportunities for the disadvantaged and create a win-win situation. The Company is willing to hire the disabled people who have completed retraining courses, and give priority to purchasing from the suppliers who hired the said disabled people, or participate in a variety of mentorship programs.

DIRECTORS' REPORT

The directors (the "**Directors**") present their annual report and the audited consolidated financial statements of TC Orient Lighting Holdings Limited (the "**Company**", and together with its subsidiaries collectively referred to as the "**Group**") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company, whose major operating subsidiaries are principally engaged in the manufacturing and trading of light emitting diode (LED) lighting, and single-sided, doubled-sided and multi-layered printed circuit boards (PCBs). The activities of its principal subsidiaries are more particularly set out in note 39 to the consolidated financial statements.

Further discussion and analysis of these activities as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2016, and an indication of likely future development in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report. The above sections form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are more particularly set out in the consolidated statement of profit or loss and other comprehensive income on page 54.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 and 2015.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 130.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of financial position on page 56 and note 27 to the consolidated financial statement respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Share premium	**539,088**	517,553
Contributed surplus	**145,058**	145,058
Accumulated losses	**(666,840)**	(645,839)
	17,306	16,772

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed; the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INCREASE IN AUTHORIZED SHARE CAPITAL

In order to provide the Company with flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate, the Board proposed to increase the authorized share capital of the Company from HK$200,000,000.00 divided into 2,000,000,000 Shares to HK$400,000,000.00 divided into 4,000,000,000 Shares by the creation of additional 2,000,000,000 Shares, which will rank pari passu in all respects with each other (the "**Increase in Authorized Share Capital**").

The Increase in Authorized Share Capital was approved by the Shareholders held at the EGM on 19 August 2016. The authorized share capital of the Company as at the date of this report was HK$400,000,000.00 divided into 4,000,000,000 Shares of HK$0.10 each, of which 1,029,635,216 Shares are in issue and 2,970,364,784 Shares are authorized but unissued.

SHARE CAPITAL

Details of movements during the year in the share capital and warrants of the Company are set out in note 26 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Chen Yongsen, Chairman
Mr. Wang Shi Jin, Chief Executive Officer
Mr. Chen Hua (appointed on 29 February 2016)
Mr. Wong Wing Choi (appointed on 29 February 2016 and resigned on 3 April 2017)
Mr. Zhu Jianqin (resigned on 29 April 2016)
Mr. Chen Zheng Xue (resigned on 29 April 2016)
Ms. Shi Qiu Yu (resigned on 29 April 2016)
Mr. Xu Ming (appointed on 14 September 2016)
Mr. Gou Jun Hao (appointed on 10 April 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong
Mr. Li Hongxiang (appointed on 4 July 2016)
Mr. Wong Kwok On (appointed on 14 September 2016)
Mr. Bonathan Wai Ka Cheung (appointed on 14 September 2016)
Ms. Chen Lei (appointed on 14 September 2016)
Mr. Ye Ji Li (appointed on 29 February 2016 and resigned on 14 September 2016)
Mr. Poon Chi-Choy, Sonny (resigned on 14 September 2016)
Mr. Zhang Xiaofei (resigned on 4 July 2016)

DIRECTORS' SERVICE CONTRACTS

No director to be proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

DIRECTORS' REPORT

SHARE OPTION SCHEME

OLD SHARE OPTION SCHEME

The share option scheme of the Company which was adopted on 5 June 2006 (the "**Old Share Option Scheme**") had a life span of ten years and was due to expire on 4 June 2016. Upon expiry of the Old Share Option Scheme, no further share option should be granted under the expired scheme but in all other respects the rules of the Old Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the rules of the Old Share Option Scheme, and share options which were granted prior to the termination or expiry of the Old Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme and their terms of issue.

The Old Share Option Scheme expired on 4 June 2016. As disclosed by the Company on 22 July 2016, as a result of the completion of the open offer on 25 July 2016, the exercise price of the share options and the number of Shares to be allotted and issued upon the exercise of the share options granted under the Old Share Option Scheme were adjusted.

Following the adjustment, the number of Shares issuable on exercise of the outstanding options under the Old Share Option Scheme became 25,568,875 Shares, representing 2.48% of the issued share capital of the Company on the date of this report.

NEW SHARE OPTION SCHEME

Following the expiry of the Old Share Option Scheme, the Company adopted a new share option scheme at its extraordinary general meeting held on 19 August 2016 (the "**New Share Option Scheme**") with a life span of ten years. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

As at the date of this report, 90,225,766 share options were available for issue under the New Share Option Scheme, representing approximately 10% of the issued share capital of the Company. Up to the date of this report, no options were granted or outstanding under the New Share Option Scheme.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Grantee	Date of grant	Exercise price per share before 25 July 2016 HK$	Outstanding at 1 January 2016 '000	Granted during the period '000	Reclassification '000	Exercised during the period '000	Lapsed/ Forfeited during the period '000	Exercise price per share since 25 July 2016 HK$	Outstanding on 25 July 2016 '000	Lapsed/ Forfeited since 25 July 2016 '000	Reclassification '000	Outstanding at the date of this report '000	Exercisable period
Directors:													
Zhu Jianqin	2 September 2011	2.11	2,300	–	–	–	–	1.747	2,778	–	(2,778)	–	(Note 2)
	22 October 2014	1.25	1,300	–	–	–	–	1.035	1,570	–	(1,570)	–	(Note 3)
Shi Qiu Yu	22 October 2014	1.25	4,423	–	–	–	–	1.035	5,342	(5,342)	–	–	(Note 4)
Chen Zheng Xue	22 October 2014	1.25	440	–	–	–	–	1.035	531	(531)	–	–	(Note 4)
Subtotal			8,463	–	–	–	–		10,221	(5,873)	(4,348)	–	
Consultant	29 November 2010	3.39	1,300	–	–	–	–	2.807	1,570	–		1,570	(Note 1)
	22 October 2014	1.25	10,841	–	–	–	–	1.035	13,093	–		13,093	(Note 3)
			12,141	–	–	–	–		14,663	–		14,663	
Employee	2 September 2011	2.11	2,000	–	–	–	–	1.747	2,415	–	2,778	5,193	(Note 2)
	22 October 2014	1.25	3,587	–	–	–	(108)	1.035	4,203	(60)	1,570	5,713	(Note 3)
			5,587	–	–	–	(108)		6,618	(60)	4,348	10,906	
Total			26,191	–	–	–	(108)		31,502	(5,933)	–	25,569	

Note 1: These options have vested (i) as to 30% on the date of grant; (ii) as to further 30% one year after the date of grant; and (iii) as to the remaining 40% two years after the date of grant. These options will expire on the 10th anniversary after the date of grant.

Note 2: These options have vested (i) as to 25% on 2 March 2012; (ii) as to further 25% on 2 March 2013; (iii) as to further 25% on 2 March 2014; and (iv) as to the remaining 25% on 2 March 2015. These options will expire on the 10th anniversary after the date of grant.

Note 3: Options are exercisable on or after 22 October 2014. These options will expire on the 10th anniversary after the date of grant.

Note 4: With the resignation of Ms. Shi Qiu Yu and Mr. Chen Zheng Xue with effect from 29 April 2016, these share options have lapsed pursuant to the terms of the Old Share Option Scheme before the end of year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 35 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries 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.

MANAGEMENT CONTRACT

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

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Set out below is information in relation to continuing connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

During the process of the preparation of the financial statements of the Group for the year ended 31 December 2015 and the annual audit, the Company was informed by the management of TC Orient Lighting (Shenzhen) Limited (達進東方照明（深圳）有限公司) ("**TC Shenzhen**") (a 70% owned subsidiary of the Company) that a loan agreement for the sum of RMB3,000,000 (HK$3,571,000) (the "**Loan Agreement**") was entered into on 1 March 2015 by TC Shenzhen with Chen Jing, a connected person of the Company at the relevant time, which constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTION

The independent non-executive Directors of the Company have reviewed the terms of the Loan Agreement and the transaction documents relating to the performance of the Loan Agreement, and have come to the view that the transactions underlying the Loan Agreement (a) were not conducted on normal commercial terms or better to the Company as the interest rate was lower than what could have been obtained by the Group from banks in the PRC for RMB-denominated loans and no asset collaterals were provided by Chen Jing to secure repayment of the Loan; and (b) were not conducted in the Group's ordinary and usual course of business as the Group is not engaged in lending business.

Apart from Mr. Zhu Jianqin (a ex-director of the Company and TC Shenzhen), none of the other Directors was aware of the Loan when it was entered into in March 2015. The Directors have enquired with Mr. Zhu as to why the Loan was not submitted to the Board for approval before signing in March 2015, such that the Board was given the chance to veto the transaction and to ensure Listing Rules compliance at the relevant time. According to Mr. Zhu, the management of TC Shenzhen were at the relevant time under a misunderstanding that TC Shenzhen, as a non-wholly owned subsidiary of the Company, should be permitted under the Listing Rules to conduct transactions with connected persons which were under the value of 3,000,000 dollars, and that the Group could benefit from the interest income of the Loan. Following the internal control and corporate governance training conducted in November 2015, the entire Board and TC Shenzhen's management now correctly understand (a) that the de minimis threshold for connected transactions under the Listing Rules should be HK$3,000,000 (not RMB3,000,000); (b) the proper calculation methodology of the size tests; and (c) the new rules imposed by the newly-adopted internal control procedures which prohibits and restricts the grant of financial assistance by any Group entity to third parties (including connected persons).

Following the revelation of the Incidents arising from the Financing Transactions (as such terms are defined in the Company's announcements since 30 April 2015), the Company has on 5 November 2015 established the Compliance Committee to oversee matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements, and on 16 November 2015 arranged for directors' training to all members of the Board to keep them abreast of the compliance rules and regulations applicable to listed companies in Hong Kong. The Company has further conducted training with key management of the Group to familiarize them with the new internal control procedures in December 2015. In April 2016, the Group recruited a full-time compliance officer to take up the overall responsibilities and functions of the Group in relation to our financial reporting procedures, compliance, corporate governance, internal control systems and directors' training, and a full-time internal auditor to monitor and ensure compliance of financial reporting and internal control procedures of the Group. In the light of the above measures, the Company is of the view that similar non-compliance is unlikely to re-occur in the future.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests or short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

INTERESTS IN SHARES:

Name of Directors	Capacity	Number of shares held (Long position)	Percentage of issued share capital
Wang Shi Jin (Note 1)	Other	128,262,303	24.17%
Chen Hua	Corporate Interest (Note 2)	162,000,000	15.73%

Note 1: Based on the information provided by Mr. Wang Shi Jin, on 20 May 2015, he obtained a stop notice from the High Court of Hong Kong (HCSN 5 of 2015) to stop the transfer of 128,262,303 shares of and in the Company (the "**Restrained Shares**"), those Restrained Shares being registered in the name of Propitious Group Limited as of 20 May 2015 and representing 24.17% of the issued share capital of the Company as of 20 May 2015.

Note 2: Based on the disclosure of Interest ("**DI**") filings made by the relevant person, these 108,000,000 Shares were held by Able Turbo Enterprises Limited ("**Able Turbo**"), which is a company 60.31% owned by Mr. Chen Hua (a director of the Company since 29 February 2015) and 39.69% owned by Mr. Li Xiangen.

INTERESTS IN UNDERLYING SHARES PURSUANT TO SHARE OPTIONS:

None of the directors and chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2016.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the following person (other than a director or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

INTEREST IN SHARES:

Name of Shareholders	Capacity	Number of shares held (Long position)	Percentage of issued share capital
Propitious Group Limited (Note 1)	Beneficial owner	128,262,303	24.17%
Chen Jing (Note 1)	Beneficial owner and interest in controlled corporation	132,162,303	24.90%
Able Turbo Enterprises Limited (Note 2)	Beneficial owner	162,000,000	15.73%
Li Xianggen (Note 3)	Interest in controlled corporation	162,000,000	15.73%

Note 1: Based on the disclosure of interest ("**DI**") filing made by the relevant person(s), Chen Jing was interested in 132,162,303 shares, comprising (a) 128,262,303 shares held by his controlled corporation, Propitious Group Limited ("**PGL**") (100% owned by Chen Jing); and (b) 3,900,000 share options held by him personally.

Chen Jing was an ex-director and the ex-Chairman of the Company who resigned on 5 June 2015. According to the terms of the Company's employee share option scheme adopted on 5 June 2006, the 3,900,000 share options held by Chen Jing should have lapsed on 5 September 2015. In addition, based on the information provided by Mr. Chen Hua, PGL should have disposed of all its 128,262,303 shares in July 2015, as the 108,000,000 shares held by Able Turbo were purportedly the same block of shares previously owned by PGL. However, up to the date of this report, the Company did not notice any DI filings made by the relevant person(s) to reflect these possible changes. The Company is unable to verify the above possible changes with either Chen Jing or PGL.

Note 2: Based on the DI filing made by the relevant person, Able Turbo Enterprises Limited is a company 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen.

Note 3: Based on the DI filing made by the relevant person, these 162,000,000 Shares were held by Able Turbo Enterprise Limited, which is a company 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen.

Other than disclosed above, as at 31 December 2016, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the incumbent independent non-executive director confirmed that he/she is independent within the definition of Rule 3.13 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 13.5% to the total sales for the year. The Group's five largest customers accounted for 43.5% of the Group's total turnover for the year.

The Group's largest supplier contributed 27.4% to the total purchases for the year. The Group's five largest suppliers accounted for 63.2% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest supplier or customers.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2016.

AUDIT COMMITTEE

As at 31 December 2016 and as of the date of this Annual Report, the AC comprises of five independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On, Mr. Bonathan Wai Ka Cheung and Ms. Chen Lei. One out of five AC members, Mr. Anson Poon Wai Kong possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. As at 31 December 2016 and as of the date of this Annual Report, Mr. Anson Poon Wai Kong was and is the chairman of AC.

No former partner of the Company's existing auditing firm acted as a member of the AC within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference.

DIRECTORS' REPORT

AUDIT COMMITTEE *(Continued)*

The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.tatchun.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group's audited financial statements for the year ended 31 December 2016 have been reviewed by the audit committee, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

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

DONATION

During the year, the Group made charitable and other donations amounting to Nil.

AUDITOR

A resolution will be submitted to the upcoming AGM of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng Limited as the auditor of the Company.

BANK BORROWINGS

Bank borrowings of the Company at 31 December 2016 and 2015 are set out in the consolidated statement of financial position on page 55 and note 23 to the consolidated financial statements respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Further details of the Model Code are set out in the Corporate Governance Report on page 5 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 5 to 14 of this Annual Report.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

WORKING CONDITIONS

The Company adopted the Board diversity policy in accordance with the requirement set out in the CG Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. A Board Diversity Policy, with the aim of enhancing the quality of the Board's performance by diversity, was adopted in August 2013.

The Group encourages its staff to participate in external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and reporting, and market industry practices. Through these types of training, we believe that the Group can increase its efficiency and productivity while overall reduction of risk and uncertainties of the Group can be reduced.

The Company encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.

HEALTH AND SAFETY

The Group strives to provide a healthy and safe working environment to the employees. In order to maintain a healthy and safe working environment, the Group has upgraded and maintained tools, office and IT equipment.

ENVIRONMENT PROTECTION

Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees of the Group.

COMMUNITY INVOLVEMENT

The Group is committed to participating in community events from time to time, and to the improvement of community well-being and social services. The Group supports and encourages staff to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(Continued)*

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements.

As far as the Company is aware, save as already disclosed in the Company's announcements, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2016.

On behalf of the Board

Chen Yongsen
Chairman

Hong Kong
28 March 2017

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF TC ORIENT LIGHTING HOLDINGS LIMITED
達進東方照明控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of TC Orient Lighting Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$92,522,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,075,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainly Related to Going Concern" section, we have determined the matters described below to be key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.	
Included in the property, plant and equipment, the Group has building amounted to approximately HK$129,778,000 as at 31 December 2016 and are stated at their revalued amounts. Independent external valuations were obtained in order support management's estimates. The valuations are dependent on certain key assumption that require significant management judgement, including market price and conditions of the properties.	Our procedures in relation to the management's valuation of property, plant and equipment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the property industry and using our valuation experts; • Checking on a sample basis, the accuracy and relevance of the imput data used. We found the key assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Impairment assessment on trade receivables and other receivables

Refer to Note 20 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.

The Group has trade and other receivables of approximately HK$457,169,000. Management judgement is required in assessing and determining the recoverability of trade and other receivables and adequacy of allowance made.

The judgement mainly includes estimating and evaluating expected future receipts from customers based on past payment trend, age of the debtors, knowledge of the customers' businesses and financial condition.

Our procedures in relation to management's impairment assessment on trade and other receivables included:

- Discussing the Group's procedures on credit limits and credit periods given to customers with the management;
- Evaluating the management's impairment assessment of trade and other receivables;
- Assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade and other receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired; and
- Checking on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade and other receivables.

We consider the management conclusion to be consistent with the available information.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

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 THE 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.

INDEPENDENT AUDITORS' REPORT

AUDITORS' 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 auditors' 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.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practicing Certificate Number: P05806

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Turnover	5	**395,450**	533,608
Cost of sales		**(391,564)**	(493,325)
Gross profit		**3,886**	40,283
Other income	6	**20,435**	24,520
Other gains and losses	7	**(14,462)**	(281)
Share result of an associate		**(78)**	–
Selling and distribution expenses		**(24,122)**	(31,287)
Administrative expenses		**(62,905)**	(106,029)
Finance costs	8	**(12,699)**	(11,203)
Loss before tax		**(89,945)**	(83,997)
Income tax expense	9	**(2,577)**	(434)
Loss for the year	10	**(92,522)**	(84,431)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Deficit on revaluation of properties		**(6,916)**	(8,334)
Deferred tax assets arising from revaluation of properties		**1,729**	2,084
		(5,187)	(6,250)
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**6,154**	(5,503)
Other comprehensive income/(expense) for the year		**967**	(11,753)
Total comprehensive expense for the year		**(91,555)**	(96,184)
Loss for the year attributable to:			
Owners of the Company		**(89,036)**	(81,225)
Non-controlling interests		**(3,486)**	(3,206)
		(92,522)	(84,431)
Total comprehensive expense attributable to:			
Owners of the Company		**(86,492)**	(92,640)
Non-controlling interests		**(5,063)**	(3,544)
		(91,555)	(96,184)
			(restated)
Loss per share			
Basic and diluted	14	**(HK$0.11)**	(HK$0.12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	16	**186,578**	211,111
Prepaid lease payments — non-current portion	17	**31,463**	18,844
Interests in associates	18	**24,404**	12,500
Trade receivables with extended credit terms	20(a)	**41,998**	50,055
Deposits paid for acquisition of property, plant and equipment		**–**	126
		284,443	292,636
Current assets			
Inventories	19	**70,523**	54,025
Prepaid lease payments — current portion	17	**915**	615
Trade and other receivables	20(a)	**415,171**	485,376
Bills receivable	20(b)	**4,528**	2,752
Pledged bank deposits	21	**79,051**	85,737
Bank balances, deposits and cash	21	**67,761**	43,789
		637,949	672,294
Assets classified as held for sale	15	**–**	15,280
		637,949	687,574
Current liabilities			
Trade and other payables	22(a)	**352,692**	344,945
Bills payable	22(b)	**80,541**	135,146
Taxation payable		**75,098**	75,712
Bank borrowings — due within one year	23	**133,468**	121,657
Obligations under finance leases — due within one year	24	**225**	298
		642,024	677,758
Net current (liabilities)/assets		**(4,075)**	9,816
Total assets less current liabilities		**280,368**	302,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Obligation under finance leases — due after one year	24	–	225
Deferred taxation	25	**15,003**	16,732
		15,003	16,957
Net assets		**265,365**	285,495
Capital and reserves			
Share capital	26	**102,964**	53,074
Reserves	27	**162,541**	227,498
Equity attributable to owners of the Company		**265,505**	280,572
Non-controlling interests		**(140)**	4,923
Total equity		**265,365**	285,495

The consolidated financial statements on pages 54 to 130 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Chen Yongsen
Director

Chen Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 27)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 27)	Special reserve HK$'000 (note 27)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 27)	Exchange reserve HK$'000	Accumulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	53,074	517,553	470	54,532	15,003	1,156	44,053	1,893	15,779	(330,301)	373,212	8,467	381,679
Loss for the year	–	–	–	–	–	–	–	–	–	(81,225)	(81,225)	(3,206)	(84,431)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	(5,165)	–	(5,165)	(338)	(5,503)
Deficit on revaluation of properties	–	–	–	(8,334)	–	–	–	–	–	–	(8,334)	–	(8,334)
Deferred tax assets arising from revaluation of properties	–	–	–	2,084	–	–	–	–	–	–	2,084	–	2,084
Total comprehensive expense for the year	–	–	–	(6,250)	–	–	–	–	(5,165)	(81,225)	(92,640)	(3,544)	(96,184)
Release upon lapse of share option	–	–	–	–	–	–	(17,400)	–	–	17,400	–	–	–
Subtotal	–	–	–	–	–	–	(17,400)	–	–	17,400	–	–	–
At 31 December 2015 and 1 January 2016	53,074	517,553	470	48,282	15,003	1,156	26,653	1,893	10,614	(394,126)	280,572	4,923	285,495
Loss for the year	–	–	–	–	–	–	–	–	–	(89,036)	(89,036)	(3,486)	(92,522)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	7,731	–	7,731	(1,577)	6,154
Deficit on revaluation of properties	–	–	–	(6,916)	–	–	–	–	–	–	(6,916)	–	(6,916)
Deferred tax assets arising from revaluation of properties	–	–	–	1,729	–	–	–	–	–	–	1,729	–	1,729
Total comprehensive expense for the year	–	–	–	(5,187)	–	–	–	–	7,731	(89,036)	(86,492)	(5,063)	(91,555)
Issue of shares upon subscription of shares, net	23,353	21,567	–	–	–	–	–	–	–	–	44,920	–	44,920
Issue of shares upon open offer, net	26,537	(32)	–	–	–	–	–	–	–	–	26,505	–	26,505
Release upon lapse of share option	–	–	–	–	–	–	(4,617)	–	–	4,617	–	–	–
Subtotal	49,890	21,535	–	–	–	–	(4,617)	–	–	4,617	71,425	–	71,425
At 31 December 2016	102,964	539,088	470	43,095	15,003	1,156	22,036	1,893	18,345	(478,545)	265,505	(140)	265,365

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(89,945)**	(83,997)
Adjustments for:		
Depreciation of property, plant and equipment	**24,670**	27,290
Interest expenses	**12,699**	11,203
Loss on disposal/written off of property, plant and equipment	**2,828**	695
Written off/impairment loss recognised on trade and other receivables	**17,268**	–
Imputed interest on trade receivables with extended credit terms	**(5,943)**	(5,258)
Interest income	**(2,173)**	(2,121)
Amortisation of prepaid lease payments	**1,666**	615
Reversal of impairment loss previously recognised for trade receivables	**(3,394)**	(338)
Operating cash flow before movements in working capital	**(42,324)**	(51,911)
(Increase)/decrease in inventories	**(17,228)**	21,690
Decrease/(increase) in trade and other receivables	**61,273**	(44,791)
(Increase)/decrease in bills receivable	**(1,913)**	3,021
Increase in trade and other payables	**16,536**	43,734
(Decrease)/increase in bills payable	**(51,383)**	17,858
Cash used in operations	**(35,039)**	(10,399)
PRC Enterprise Income Tax paid	**(226)**	(2,162)
NET CASH USED IN OPERATING ACTIVITIES	**(35,265)**	(12,561)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**108,544**	125,719
Interest received	**2,173**	2,121
Proceeds from disposal of property, plant and equipment	**85**	495
Placement of pledged bank deposits	**(106,017)**	(109,800)
Deposits paid for acquisition of property, plant and equipment	**–**	(126)
Purchase of property, plant and equipment	**(10,158)**	(1,821)
Investment in an associate	**(11,904)**	(12,500)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(17,277)**	4,088

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(210,549)**	(323,268)
Interest paid	**(12,699)**	(11,203)
Repayment of obligation under finance leases	**(298)**	(394)
Bank borrowings raised	**227,699**	219,837
Proceeds from issue of shares, net	**44,920**	–
Proceeds from issue of shares upon open offer, net	**26,505**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**75,578**	(115,028)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**23,036**	(123,501)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**43,789**	167,319
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**936**	(29)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, Represented by bank balances, deposits and cash	**67,761**	43,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004 and was registered as a non-Hong Kong Company under Part 16 of Hong Kong Companies Ordinance (Cap.622) ("**new CO**"). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Able Turbo Enterprises Limited ("**Able Turbo**") is the substantial shareholder of the Company. Able Turbo is owned to 60.31% by Mr. Chen Hua (a director of the Company) and 39.69% by Mr. Li Xiangen. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

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

ANNUAL IMPROVEMENTS TO HKFRSs 2012–2014 CYCLE

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments shall be applied prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

ANNUAL IMPROVEMENTS TO HKFRSs 2012–2014 CYCLE *(Continued)*

The amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities* provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in opening retained earnings of the earliest comparative period presented.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere in the interim financial report. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of the said amendments to HKFRSs has had no material effect on the Group's consolidated financial statements.

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 *INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION*

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 has had no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

AMENDMENTS TO HKFRS 11 *ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 regarding impairment testing of a cash-generating unit ("**CGU**") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The application of these amendments to HKFRS 11 has had no material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 1 *DISCLOSURE INITIATIVE*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The application of these amendments to HKAS 1 has had no material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 16 AND HKAS 38 *CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to HKAS 16 and HKAS 38 has had no material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

AMENDMENTS TO HKAS 27 *EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 for entities that have not yet adopted HKFRS 9); or
- using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

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

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *FINANCIAL INSTRUMENTS*

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

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

AMENDMENTS TO HKFRS 10 AND HKAS 28 *SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 REVENUE *FROM CONTRACTS WITH CUSTOMERS*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 REVENUE *FROM CONTRACTS WITH CUSTOMERS* *(Continued)*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

HKFRS 16 LEASE

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

As set out in note 31, total operating lease commitment of the Group is respect of its factory premises as at 31 December 2016 was amounting to approximately HK$3,382,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these commitments will be required to be recognized in the combined statement of financial position as right-of use assets and lease liabilities. Other than that, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

GOING CONCERN BASIS

The Group incurred a loss of approximately HK$92,522,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,075,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(1) Alternative sources of external funding

On 22 and 26 September 2016, the Company and several subscribers of convertible bond (the "**CB Subscribers**") entered into the bond subscription agreements, pursuant to which the Company has conditionally agreed to issue, and the CB Subscribers have agreed to subscribe for, the convertible bonds in aggregate principal amount of HK$285,000,000. As of the date of this report, the subscription is in progress and subject to obtain approval from the shareholders of the Company.

(2) Attainment of profitable and positive cash flow operations

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(3) Necessary facilities

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN ASSOCIATES *(Continued)*

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Sales of goods

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

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

(ii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases), excluding buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and borrowing costs capitalised for qualifying assets in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

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

PREPAID LEASE PAYMENTS

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

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

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

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

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables

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

The objective evidence of impairment could include:

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

Trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss of the loans and receivables is the difference between the loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchases of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Other financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

LEASING

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to directors, employees and others providing similar services rendered by employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

TAXATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES *(Continued)*

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

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTY TRANSACTIONS

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

(i) A person or a close member of that person's family is related to the Group if that person:

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

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

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Determining whether an impairment loss is recognised requires an estimate of the recoverable amount of the relevant assets or the CGUs to which the assets belong. The management considers that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use which is higher than its fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are more or less than expected or changes in facts and circumstances which result in revision in future estimated cash flows, a material impairment loss or reversal of impairment loss may arise.

As at 31 December 2016, the carrying amounts of property, plant and equipment are HK$186,578,000 (2015: HK$211,111,000), net of impairment losses of Nil (2015: Nil). Details are disclosed in note 16.

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2016, the carrying amount of trade receivables is HK$308,369,000 (2015: HK$327,349,000) of which HK$132,857,000 (2015: HK$176,463,000) is trade receivables with extended credit terms. The total allowance for doubtful debts is HK$20,810,000 (2015: HK$9,759,000). Details of movements of allowance for trade receivables are disclosed in note 20.

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

As set out in note 16, properties were revalued as at 31 December 2016 basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

INCOME TAX AND DEFERRED TAXATION

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. TURNOVER

	2016 HK$'000	2015 HK$'000
An analysis of the Group's turnover is as follows:		
Sales of printed circuit boards ("**PCB**")	**349,621**	527,811
Sales of light emitting diode ("**LED**") lighting	**9,242**	5,797
Tradings of tower and electric cable	**36,587**	–
	395,450	533,608

6. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Bank interest income	**2,173**	2,121
Imputed interest on trade receivables with extended credit terms	**5,943**	5,258
Sales of scarp materials	**10,954**	14,830
Government grants (note)	**356**	477
Others	**1,009**	1,834
	20,435	24,520

Note: Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

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For the year ended 31 December 2016

7. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Net foreign exchange gain	**2,691**	2,603
Impairment loss recognised on other receivables	**(3,196)**	–
Amounts recovered as uncollectible trade receivables with extended credit terms	**–**	400
Amounts recovered as uncollectible trade receivables with normal credit terms	**373**	–
Impairment loss recognised on trade receivables with extended credit forms	**(14,050)**	–
Impairment loss recognised on trade receivables with normal credit terms	**(22)**	–
Provision for compensation charges	**(134)**	(2,166)
Reversal of impairment loss previously recognised on trade receivables with normal credit terms	**–**	338
Reversal of impairment loss previously recognised on trade receivables with extended credit terms	**3,021**	–
Loss on disposal/written off of property, plant and equipment	**(2,828)**	(695)
Others	**(317)**	(761)
	(14,462)	(281)

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
– Bank and other borrowing wholly repayable within five years	**12,668**	11,160
– Obligations under finance leases	**31**	43
	12,699	11,203

9. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**2,577**	28
Hong Kong Profits Tax	**–**	406
	2,577	434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. INCOME TAX EXPENSE *(Continued)*

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

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2016 HK$'000	2015 HK$'000
Loss before tax	**(89,945)**	(83,997)
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**(22,487)**	(20,999)
Tax effect of expenses not deductible for tax purpose	**3,027**	6,992
Tax effect of income not taxable for tax purpose	**(27)**	(1,089)
Tax effect of tax losses not recognised	**19,462**	10,573
Tax effect of different tax rate of subsidiaries	**2,602**	4,957
Income tax expense	**2,577**	434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. LOSS FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration (note)	**98,735**	147,408
Retirement benefit schemes contributions (note)	**10,161**	11,524
Total employee expenses	**108,896**	158,932
Auditors' remuneration	**1,800**	2,000
Non-audit service		
— Investment circular report	**130**	–
— Interim review	**300**	400
Cost of inventories recognised as an expense	**391,564**	493,325
Depreciation of property, plant and equipment	**24,670**	27,290
Research and development costs recognised as an expense	**1,836**	2,574
Amortisation of prepaid lease payments	**1,666**	615

Note: Employee expenses and retirement benefit schemes contributions were included the direct and indirect labour cost, they have been recognised in the cost of inventories and administrative expenses.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments of the directors and chief executive officer were as follows:

2016

	Zhu Jianqin (note s) HK$'000	Shi Qiu Yu (note o) HK$'000	Chen Zheng Xue (note n) HK$'000	Wang Shijin (note c) HK$'000	Chen Yongsen (note b) HK$'000	Chen Hua (note t) HK$'000	Wong Wing Choi (note u) HK$'000	Anson Poon Wai Kong (note h) HK$'000	Zhang Xiaofei (note i) HK$'000	Ye Ji Li (note v) HK$'000	Poon Chi Choy (note j) HK$'000	Li Hongxiang (note w) HK$'000	Xu Ming (note x) HK$'000	Wong Kwok On (note y) HK$'000	Cheung Wai Ka (note z) HK$'000	Chen Lei (note aa) HK$'000	Total HK$'000
Fee	–	–	–	–	–	–	–	180	50	65	127	118	–	36	71	71	718
Salaries and other benefits	484	120	120	600	2,400	300	1,782	–	–	–	–	–	107	–	–	–	5,913
Share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Performance related incentive payment (Note a)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	27	6	6	18	18	15	15	–	–	–	–	–	5	–	–	–	110
Total emoluments	511	126	126	618	2,418	315	1,797	180	50	65	127	118	112	36	71	71	6,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(Continued)*

2015

	Chen Yongsen (note b) HK$'000	Wang Shi Jin (note c) HK$'000	Zhu Jianqin (note s) HK$'000	Chen Zheng Xue (note n) HK$'000	Shi Qiu Yu (note o) HK$'000	Zeng Xiang Di (note e) HK$'000	Charles Liu Kam Man (note d) HK$'000	Chen Jing (note f) HK$'000	Li Jianchao (note g) HK$'000	Anson Poon Wai Kong (note h) HK$'000	Zhang Xiaofei (note i) HK$'000	Poon Chi-Choy (note j) HK$'000	Tsang Cheung Fat (note k) HK$'000	Leung Wah (note p) HK$'000	Lai Sze Ngot (note q) HK$'000	Luk Chi Keung (note l) HK$'000	Han Peng (note m) HK$'000	Lo Chi Ko (note r) HK$'000	Total HK$'000
Fee	–	–	–	–	–	–	130	–	–	115	13	115	108	62	62	49	70	51	775
Salaries and other benefits	393	1,277	630	1,408	1,247	1,202	–	1,200	1,219	–	–	–	–	–	–	–	–	–	8,576
Share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Performance related incentive payment (Note a)	–	1,200	1,900	1,600	1,600	1,200	–	2,900	4,440	–	–	–	–	550	750	500	–	500	17,140
Retirement benefit scheme contributions	7	17	17	17	19	15	–	8	9	–	–	–	–	–	–	–	–	–	109
Total emoluments	400	2,494	2,547	3,025	2,866	2,417	130	4,108	5,668	115	13	115	108	612	812	549	70	551	26,600

Notes:

(a) The performance related incentive payment was determined based on individual performance.

(b) Mr. Chen Yongsen was appointed as executive director on 12 August 2015 and was appointed as Chairman on 16 November 2015.

(c) Mr. Wang Shi Jin was appointed as an executive director on 29 January 2015 and was appointed as Chairman from 5 June 2015 to 16 November 2015. He was appointed as chief executive officer on 16 November 2015.

(d) Mr. Charles Liu Kam Man was appointed as an executive director on 1 June 2015 and resigned on 8 October 2015.

(e) Mr. Zeng Xiang Di was appointed as an executive director on 29 January 2015 and resigned on 16 November 2015.

(f) Mr. Chen Jing was appointed as an executive director on 1 September 2014 and resigned on 5 June 2015.

(g) Mr. Li Jianchao was appointed as an executive director on 1 September 2014 and resigned on 5 June 2015.

(h) Mr. Anson Poon Wai Kong was appointed as an independent non-executive director of on 1 June 2015 and resigned on 4 July 2016.

(i) Mr. Zhang Xiaofei was appointed as an independent non-executive director on 16 November 2015.

(j) Mr. Poon Chi-Choy, Sonny was appointed as an independent non-executive director on 1 June 2015 and resigned on 14 September 2016.

(k) Dr. Tsang Cheung Fat was appointed as an independent non-executive director on 1 June 2015 and resigned on 16 November 2015.

(l) Mr. Luk Chi Keung was appointed as an independent non-executive director on 2 February 2015 and resigned on 5 June 2015.

(m) Ms. Han Pang was appointed as an independent non-executive director on 1 June 2015 and resigned on 8 October 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(Continued)*

Notes: (continued)

(n) Mr. Chen Zheng Xue was appointed as independent non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015 and resigned as an executive director on 29 April 2016.

(o) Ms. Shi Qiu Yu was appointed as non-executive director on 16 October 2014 and re-designated as executive director on 29 January 2015 and resigned as an executive director on 29 April 2016.

(p) Mr. Leung Wah was appointed as an independent non-executive director on 1 September 2014 and resigned on 5 June 2015.

(q) Mr. Lai Sze Ngot was appointed as an independent non-executive director on 16 October 2014 and resigned on 5 June 2015.

(r) Mr. Lo Chi Ko was appointed as an independent non-executive director on 29 January 2015 and resigned on 5 June 2015.

(s) Mr. Zhu Jianqin resigned as an executive director on 29 April 2016.

(t) Mr. Chen Hua was appointed as an executive director on 29 February 2016.

(u) Mr. Wong Wing Choi was appointed as an executive director on 29 February 2016.

(v) Mr. Ye Ji Li was appointed as an independent non-executive director on 29 February 2016 and resigned on 14 September 2016.

(w) Mr. Li Hongxiang was appointed as an independent non-executive director on 4 July 2016.

(x) Mr. Xu Ming was appointed as an executive director on 14 September 2016.

(y) Mr. Wong Kwok On was appointed as an independent non-executive director on 14 September 2016.

(z) Mr. Bonathan Wai Ka Cheung was appointed as a independent non-executive director on 14 September 2016.

(aa) Ms. Chen Lei was appointed as an independent non-executive director on 14 September 2016.

None of the director agreed to waive or has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, two (2015: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2015: two) individuals were as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**2,779**	2,335
Performance related incentive payment	**–**	8,420
Retirement benefit schemes contributions	**76**	18
	2,855	10,773

	2016	2015
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	–
Above HK$1,500,001	**1**	2
	3	2

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

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

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2016 **HK$'000**	2015 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year attributable to owners of the Company	**(89,036)**	(81,225)

	2016 **'000**	2015 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**811,687**	660,189

Note: The weighted average number of ordinary shares for the year ended 31 December 2015 has been adjusted and restated for the open offer completed during the year ended 31 December 2016.

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

15. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2013, TC (BVI) Limited (a wholly-owned subsidiary of the Company), entered into an agreement with an independent third party in which the independent third party would inject not less than RMB20,000,000 as construction costs to acquire 70% equity interest of Best Pursue Holdings Limited and its subsidiaries ("**Best Pursue Group**"). Best Pursue Group owns a land with carrying value of HK$13,535,000 (2015: HK$15,280,000) which is held under medium lease terms and is situated in the PRC at the end of the reporting period. During the year ended 31 December 2016, the Group had no longer committed to disposal the equity interest of Best Pursue Group, the Group cease to assets classified as held for sale for Best Pursue Group due to the change of the original plan of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK $'000	Furniture and fixtures HK $'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2015	1,704	153,363	434,065	2,347	6,970	8,596	96,028	703,073
Exchange alignment	(14)	–	(432)	(40)	(42)	(51)	(67)	(646)
Additions	–	–	1,422	12	484	144	359	2,421
Transfers	(1,418)	–	1,099	–	–	–	319	–
Disposal/written off	–	–	(44,436)	–	(773)	–	–	(45,209)
Deficit on revaluation	–	(12,529)	–	–	–	–	–	(12,529)
At 31 December 2015 and 1 January 2016	272	140,834	391,718	2,319	6,639	8,689	96,639	647,110
Exchange alignment	(12)	–	(393)	(37)	(39)	(51)	(67)	(599)
Additions	9,091	–	324	552	–	4	187	10,158
Disposal/written off	–	–	(12,618)	–	–	–	(887)	(13,505)
Deficit on revaluation	–	(11,056)	–	–	–	–	–	(11,056)
As 31 December 2016	9,351	129,778	379,031	2,834	6,600	8,642	95,872	632,108
Comprising:								
At cost	9,351	–	379,031	2,834	6,600	8,642	95,872	502,330
At valuation — 2016	–	129,778	–	–	–	–	–	129,778
	9,351	129,778	379,031	2,834	6,600	8,642	95,872	632,108
DEPRECIATION AND IMPAIRMENT								
At 1 January 2015	–	–	370,539	1,839	4,315	7,852	72,778	457,323
Exchange alignment	–	–	(298)	(16)	(20)	(28)	(38)	(400)
Provided for the year	–	4,195	16,336	95	881	297	5,486	27,290
Elimination on revaluation	–	(4,195)	–	–	–	–	–	(4,195)
Disposal/written off	–	–	(43,698)	–	(321)	–	–	(44,019)
At 31 December 2015 and 1 January 2016	–	–	342,879	1,918	4,855	8,121	78,226	435,999
Exchange alignment	–	–	(318)	(12)	(10)	(17)	(50)	(407)
Provided for the year	–	4,140	14,178	83	740	224	5,305	24,670
Elimination on revaluation	–	(4,140)	–	–	–	–	–	(4,140)
Disposal/written off	–	–	(9,802)	–	–	–	(790)	(10,592)
At 31 December 2016	–	–	346,937	1,989	5,585	8,328	82,691	445,530
CARRYING VALUES								
At 31 December 2016	9,351	129,778	32,094	845	1,015	314	13,181	186,578
At 31 December 2015	272	140,834	48,839	401	1,784	568	18,413	211,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line method at the following rates per annum:

Buildings	Over the remaining term of the leases
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress shown above are situated in the PRC under medium-term leases.

IMPAIRMENT LOSSES RECOGNISED IN THE CURRENT YEAR

During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that plant and machinery. These assets are used in the Group's electronic equipment reportable segments. No impairment loss has been recognised for the year ended 31 December 2016. The recoverable amount of the relevant assets has been determined on the basis of their value in use and greater than carrying values. The discount rate used in measuring value in use was 9.5% per annum.

The Group's buildings were valued on 31 December 2016 and 2015 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2016 HK$'000	2015 HK$'000
As at 1 January	**140,834**	153,363
Deficit on revaluation	**(11,056)**	(12,529)
As at 31 December	**129,778**	140,834

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$88,347,000 (2015: HK$91,066,000).

As at 31 December 2016, the carrying values of the Group's and motor vehicles include amounts of HK$476,000 (2015: HK$878,000), in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$129,778,000 (2015: HK$140,834,000) and Nil (2015: HK$860,000), respectively, to secure general banking facilities granted to the Group.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Carrying value of investment properties 2016 HK$'000	Carrying value of investment properties 2015 HK$'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in the PRC	**129,778**	140,834	Level 3	Direct comparison method — based on price per square foot, using market observable comparable prices of similar properties ranging from HK$2,300 to HK$3,075 (2015: HK$2,300 to HK$2,700) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price per square feet, the higher the fair value.

	Level 3 HK$'000	Fair value as at 31 December 2016 HK$'000
Buildings in the PRC	**129,778**	**129,778**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Level 3 HK$'000	Fair value as at 31 December 2015 HK$'000
Buildings in the PRC	140,834	140,834

There were no transfers into or out of level 3 during the year.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2016 **HK$'000**	2015 HK$'000
Land use rights in the PRC under medium-term leases	**32,378**	19,459
Analysis for reporting purposes as:		
Non-current assets	**31,463**	18,844
Current assets	**915**	615
	32,378	19,459

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight-line basis.

As at 31 December 2016, the Group has pledged the land use rights of carrying amount of HK$18,843,000 (2015: HK$19,459,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of unlisted investments in associates	12,500	12,502
Increase of investments in associate	11,904	–
Less: impairment loss of interest in an associate	–	(2)
	24,404	12,500

As at 31 December 2016, the net asset value of the associates of Group were approximately HK$29,244,000 (2015: HK$17,695,000), which mainly comprise of cash and bank balances. The associates were inactive during the year ended 2016.

Particulars of the Group's associates at the end of the reporting period is set out below.

Name of associate	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group directly/indirectly 2016	2015	Principal activity
Jolly Pearl Enterprises Limited 朝珍企業有限公司	The British Virgin Islands	30%	30%	Inactive
臨湘市金泰礦業有限公司	The PRC	33.3%	22.2% (note)	Inactive

Note: As at 31 December 2016, the Group had capital commitment in respect of capital not yet injected into 臨湘市金泰礦業有限公司 amounted to HK$5,682,000 (RMB5,000,000) (2015: HK$18,750,000 (RMB15,000,000)). After the injection, the proportion of ownership interest held by the Group increase from 33.3% to 41.7% (2015: 22.2% to 41.7%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**34,978**	18,203
Work in progress	**10,494**	11,313
Finished goods	**25,051**	24,509
	70,523	54,025

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	2016 HK$'000	2015 HK$'000
Trade receivables with normal credit terms	**176,985**	152,337
Less: Allowance for doubtful debts	**(1,473)**	(1,451)
	175,512	150,886
Trade receivables with extended credit terms	**152,194**	184,771
Less: Allowance for doubtful debts	**(19,337)**	(8,308)
	132,857	176,463
Total trade receivables, net of allowance for doubtful debts	**308,369**	327,349
Less: Non-current portion of trade receivables with extended credit terms	**(41,998)**	(50,055)
Current portion of trade receivables	**266,371**	277,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

	2016 **HK$'000**	2015 HK$'000
Advances to suppliers	**289**	205
Value-added tax recoverable	**13,214**	9,567
	13,503	9,772
Other receivables (note iii and iv)	**135,297**	198,310
	148,800	208,082
Trade and other receivables shown under current assets	**415,171**	485,376

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers and tradings of towers and electric cable customers with normal credit terms and credit period ranging from one year to ten years to its trade on LED lighting customers with extended credit terms which is based on the contractual repayment schedule. The following is an aging analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
0–30 days	**–**	362	**68,418**	40,846	**68,418**	41,208
31–60 days	**–**	–	**41,191**	33,723	**41,191**	33,723
61–90 days	**–**	–	**26,341**	31,325	**26,341**	31,325
91–180 days	**–**	1,094	**31,586**	41,926	**31,586**	43,020
Over 180 days	**132,857**	175,007	**7,976**	3,066	**140,833**	178,073
	132,857	176,463	**175,512**	150,886	**308,369**	327,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance of doubtful debts for normal credit terms

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**1,451**	1,841
Impairment loss recognised on trade receivables	**22**	–
Amounts written off as uncollectible	**–**	(52)
Impairment loss reversed	**–**	(338)
Balance at end of the year	**1,473**	1,451

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$1,473,000 (2015: HK$1,451,000). The Group does not hold any collateral over these balances.

Notes:

i. TRADE RECEIVABLES WITH NORMAL CREDIT TERMS

Before accepting any new customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 81% (2015: 69%) of the trade receivables with normal credit terms that are neither past due nor impaired have no default payment history. Included in the Group's trade receivable balance with normal credit terms are debtors with an aggregate carrying amount of HK$33,924,000 (2015: HK$47,074,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had continuous repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables with normal credit terms which are past due but not impaired based on invoice date

	2016 HK$'000	2015 HK$'000
Overdue by:		
0–30 days	**13,026**	25,978
31–60 days	**6,374**	10,208
61–90 days	**5,723**	3,574
91–180 days	**6,348**	2,289
Over 180 days	**2,453**	5,025
Total	**33,924**	47,074

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

ii. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2016, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$132,857,000 (2015: HK$176,463,000) resulting from the sales of LED lighting products to external customers ("**LED Receivables**") which will mostly be settled by instalments ranging from one to ten years pursuant to the supply contracts. The fair value of the considerations recognised is determined using an imputed rate of interest.

At the end of the reporting period, the Group has LED Receivables which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**74,759**	126,408
In the second to fifth year inclusive	**58,098**	50,055
	132,857	176,463

Included in the trade receivables with extended credit terms are balances of HK$118,177,000 (2015: HK$116,739,000) receivable from certain government authorities in the PRC.

Before accepting any new customer and entering into supply contract with a customer, the Group evaluates the potential customer's credit risk and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Around 40% (2015: 41%) of the net trade receivables with extended credit terms that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with extended credit terms are debtors with an aggregate carrying amount of HK$79,418,000 (2015: HK$103,327,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have had repayment records and settled certain receivables subsequent to the reporting period. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables with extended credit terms which are past due but not impaired based on invoice date

	2016 **HK$'000**	2015 HK$'000
Overdue by:		
0–30 days	**10,038**	9,865
31–60 days	**–**	–
61–90 days	**4,331**	1,082
91–180 days	**2,258**	33
Over 180 days	**62,791**	92,347
Total	**79,418**	103,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

ii. **TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS** *(Continued)*

Movement in the allowance of doubtful debts for extended credit terms

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**8,308**	8,308
Impairment loss recognized on trade receivables	**14,050**	–
Impairment loss reversed	**(3,021)**	–
Balance at end of the year	**19,337**	8,308

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$19,337,000 (2015: HK$8,308,000). The Group does not hold any collateral over these balances.

iii. (a) At the end of the reporting period, included in the Group's other receivables is an amount of HK$10,019,000 licensing income receivable (2015: HK$3,888,000) from Orient Opto-Semiconductors Corp. ("**Dongfang**"), a non-controlling interest of 達進東方照明（深圳）有限公司, a PRC subsidiary of the Company and is controlled by Mr. Zhu Jianqin, who was a Director of the Company and resigned on 29 April 2016. Amounts are unsecured, interest-free and repayable on demand.

(b) During the year ended 2014, the Group has entered into a construction contracts with 深圳市世紀安耐光電科技有限公司 ("**世紀安耐**") of approximately HK$25,261,000 included in the Group's other receivables as at 31 December 2016 (2015: HK$25,857,000). Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015 and is a director of 世紀安耐.

(c) As at 31 December 2016, including in the Group's other receivables amounts of approximate HK$866,000 (2015: HK$915,000) was from 江蘇金來順光電科技有限公司 ("**江蘇金來順**"). Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015 and is a general manager of 江蘇金來順.

(d) During the year ended 2015, TC Orient Lighting (Shenzhen) Limited (the "**TC Shenzhen**"), a subsidiary of the Company entered into a loan agreement (the "**Loan**") with Mr. Chen Jing. The loan amount of approximately RMB3,000,000 (HK$3,500,000) (2015: HK$3,571,000) was included in other receivables and related interest receivable amount of approximately HK$Nil (2015: HK$95,000) as at 31 December 2016. Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015.

(e) During the year ended 2014, the Company entered into a supply contract with Shenzhen Tronsin Illuminating Technique Ltd ("**Tronsin**") for the sum of approximately HK$1,600,000 (2015: 1,600,000) and paid during the year, included in the other receivable as at 31 December 2016 and 2015. Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

iv. Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	–	–
Amounts written off as uncollectible trade receivable	3,196	–
Balance at end of the year	3,196	–

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$3,196,000 (2015: Nil) receivable from debtors which have either been placed under liquidation or in severe difficulties.

(b) BILLS RECEIVABLE

The following is an aged analysis of bills receivable based on issue date of the bills at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
0–30 days	109	2,739
31–60 days	454	–
Over 60 days	3,965	13
	4,528	2,752

The trade, bills and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
United States dollars ("**US$**")	81,665	141,133
Renminbi ("**RMB**")	114,384	300,983
	196,049	442,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2016, the pledged bank deposits comprise deposits for the issue of bills payable of HK$79,051,000 (2015: 85,737,000). The pledged bank deposits are classified as current assets because the bills payable being secured are due within one year.

Pledged bank deposits and bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.01% to 1.82% (2015: 0.01% to 1.82%) per annum.

The pledged bank deposits and bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 **HK$'000**	2015 HK$'000
US$	**12,727**	28,072
RMB	**130,153**	98,007
HK$	**300**	277
	143,180	126,356

Included in the pledged bank deposits and bank balances, deposits and cash were amounts in RMB of approximately HK$130,153,000 (2015: HK$98,007,000) which were not freely convertible into other currencies.

22. TRADE, BILLS AND OTHER PAYABLES

(a) TRADE AND OTHER PAYABLES

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

	2016 **HK$'000**	2015 HK$'000
0–30 days	**25,889**	24,949
31–60 days	**28,524**	20,600
61–90 days	**13,211**	13,663
91–180 days	**33,287**	49,236
Over 180 days	**40,575**	58,737
Total trade payables	**141,486**	167,185
Other payables (note)	**190,849**	148,589
Accrued salaries and other accrued charges	**20,357**	29,171
	352,692	344,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(a) TRADE AND OTHER PAYABLES *(Continued)*

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note: At the end of the reporting period, including in the Group's other payables is an amount of HK$109,915,000 (2015: HK$44,241,000) loan from Shenzhen Qianhai Dahuangyuan Financing Leasing Company Limited in interest rate range from 5% to 18% (2015: 5% to 18%) and repaid in accordance with the terms of the loan agreements. During the year ended 31 December 2016, HK$3,126,000 (2015: HK$1,011,000) interests were paid and recognised in the finance cost of consolidated statements of profit or loss.

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	**8,463**	51,012
31–60 days	**13,006**	5,814
61–90 days	**30,131**	8,328
91–180 days	**28,941**	69,992
	80,541	135,146

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
US$	**7,066**	2,497
RMB	**302,799**	471,975
	309,865	474,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans	**79,277**	83,502
Trust receipt loans	**54,191**	38,155
	133,468	121,657
Analysed as:		
Secured – Fixed rate borrowings	**133,468**	121,657
Unsecured	**–**	–
	133,468	121,657
Carrying amounts repayable within one year based on scheduled payment dates set out in the loan agreements	**133,468**	121,657
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	–
	133,468	121,657
Less: Amounts due within one year shown under current liabilities	**(133,468)**	(121,657)
Amounts shown under non-current liabilities	**–**	–

The bank borrowings were secured by assets of the Group as disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. BANK BORROWINGS *(Continued)*

The above bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 **HK$'000**	2015 HK$'000
US$	–	17,550
RMB	**133,468**	104,107
	133,468	121,657

The ranges of interest rates on the Group's bank borrowings are as follows:

	2016 **HK$'000**	2015 HK$'000
Effective interest rates:		
Fixed-rate borrowings	**4.35 to 4.79%**	1.84 to 5.35%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		PV of minimum lease payment	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**252**	329	**225**	298
In the second year	**–**	252	**–**	225
In the third year	**–**	–	**–**	–
	252	581	**225**	523
Less: Future finance charges	**(27)**	(58)	**–**	–
Present value of lease obligations	**225**	523	**225**	523
Less: Amount due within one year shown under current liabilities			**(225)**	(298)
Amount due after one year shown under non-current liabilities			**–**	225

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is five years and the contractual interest rates for the year are range from 1.92% to 3.42% (2015: from 1.76% to 3.26%) per annum and the average effective interest rate was 8.29% (2015: 5.95%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. DEFERRED TAXATION

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

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities	**(15,003)**	(16,732)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years.

	Revaluation of properties HK$'000	**Undistributable profits of PRC subsidiaries** HK$'000	**Total** HK$'000
At 1 January 2015	(18,416)	(400)	(18,816)
Charge to other comprehensive income	2,084	–	2,084
At 31 December 2015 and 1 January 2016	(16,332)	(400)	(16,732)
Charge to other comprehensive income	1,729	–	1,729
At 31 December 2016	(14,603)	(400)	(15,003)

At 31 December 2016, the Group has unused tax losses of HK$120,526,000 (2015: HK$69,617,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$378,723,000 (2015: HK$364,893,000). The deductible temporary differences arise due to impairment loss in respect of property, plant and equipment, intangible assets and trade receivables. No deferred tax asset has been recognised in relation to deductible temporary differences of HK$368,159,000 (2015: HK$354,329,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. SHARE CAPITAL

	Number of shares		Amount	
	2016	2015	**2016**	2015
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January	**2,000,000**	2,000,000	**200,000**	200,000
Increased in authorized share capital (note (i))	**2,000,000**	–	**200,000**	–
At 31 December	**4,000,000**	2,000,000	**400,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**530,740**	530,740	**53,074**	53,074
Issue share subscriptions new shares (note (iii) and (iv))	**233,526**	–	**23,353**	–
Issue of share upon open offer (note (ii))	**265,370**	–	**26,537**	–
At 31 December	**1,029,636**	530,740	**102,964**	53,074

(i) Pursuant to ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 19 August 2016, the approval the authorised share capital of the Company be and is hereby increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each ("Shares") to HK$400,000,000 divided into 4,000,000,000 Shares by the creation of additional 2,000,000,000 Shares.

(ii) On 25 May 2016, the Company entered into the underwriting agreement which raise not less than approximately HK$26,536,000 and not more than approximately HK$27,841,000 (before expenses) by way of the open offer involving the issue of not less than 265,369,901 and not more than 278,411,834 Offer Shares, respectively, at the Subscription Price of HK$0.10 per offer share on the basis of one (1) offer share for every two (2) existing shares held on the record date and payable in full on application ("Open Offer"). The net proceeds raised from the Open Offer for settlement of the Group's current liabilities as they fall due. Detail of which were disclosed in the Company's announcement dated 25 May 2016, 29 June 2016 and 22 July 2016.

(iii) On 21 June 2016, an aggregate of 106,147,960 new shares were issued and allotted to the subscribers at the subscription price of HK$0.198 per subscription share. The net proceeds will be used for settlement of the Group's liabilities as they fall due. Detail of which were disclosed in the Company's announcement dated 14 June 2016 and 21 June 2016.

(iv) On 27 September 2016, an aggregate of 127,377,552 new shares were issued and allotted to the subscribers at the subscription price of HK$0.19 per subscription share. The net proceeds will used for settlement of the Group's current liabilities as they fall due. Detail of which were disclosed in the Company's announcement dated 14 September 2016 and 26 September 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27. RESERVES

(a) PRC STATUTORY RESERVE

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(b) SPECIAL RESERVE

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

(d) CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

(e) DISTRIBUTABLE RESERVE

The Company's reserves available for distribution to shareholders at 31 December 2016 of approximately HK$17,306,000 (2015: HK$16,772,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME

On 5 June 2006, the share option scheme (the "**Old Share Option Scheme**") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Old Share Option Scheme.

The Old Share Option Scheme expired on 4 June 2016. As disclosed by the Company on 22 July 2016, as a result of the completion of the open offer on 25 July 2016, the exercise price of the share options and the number of Shares to be allotted and issued upon the exercise of the share options granted under the Old Share Option Scheme were adjusted.

Following the adjustment, the number of Shares issuable on exercise of the outstanding options under the Old Share Option Scheme became 25,568,875 Shares, representing 2.48% of the issued share capital of the Company on the date of this report.

NEW SHARE OPTION SCHEME

Following the expiry of the Old Share Option Scheme, the Company adopted a new share option scheme at its extraordinary general meeting held on 19 August 2016 (the "New Share Option Scheme") with a life span of ten years. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

As at the date of this report, 90,225,766 share options were available for issue under the New Share Option Scheme, representing approximately 10% of the issued share capital of the Company. Up to the date of this report, no options were granted or outstanding under the New Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "**Refreshed Scheme Mandate**") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (such 10% limit representing 43,777,580 shares and options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME *(Continued)*

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. 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.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses the details of the Company's share options and movements for both years:

		Exercised price per share before 25 July 2016 HK$	At 1 January 2015 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Laps/ Forfeited during the period '000	At 31 December 2015 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Laps/ Forfeited during the period '000	Exercised price since 25 July 2016	Outstanding on 25 July 2016 '000	Laps/ Forfeited since 25 July 2016 '000	Reclassification '000	At 31 December 2016 '000
Directors	29 September 2009	1.07	600	–	–	–	(600)	–	–	–	–	–	–	–	–	–	–
	14 July 2010	1.50	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	2 September 2011	2.11	2,300	–	–	–	–	2,300	–	–	–	–	1.747	2,778	–	(2,778)	–
	22 October 2014	1.25	19,266	–	(3,900)	–	(9,203)	6,163	–	–	–	–	1.035	7,443	(5,873)	(1,570)	–
Subtotal		–	22,166	–	(3,900)	–	(9,803)	8,463	–	–	–	–	–	10,221	(5,873)	(4,348)	–
Consultants	29 September 2009	1.07	600	–	–	–	(600)	–	–	–	–	–	–	–	–	–	–
	29 September 2010	2.62	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	11 October 2010	2.70	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	29 November 2010	3.39	1,300	–	–	–	–	1,300	–	–	–	–	2.807	1,570	–	–	1,570
	22 October 2014	1.25	8,261	–	3,900	–	(1,320)	10,841	–	–	–	–	1.035	13,093	–	–	13,093
Subtotal		–	10,161	–	3,900	–	(1,920)	12,141	–	–	–	–	–	14,663	–	–	14,663
Employees	29 September 2009	1.07	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	14 July 2010	1.50	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	29 September 2010	2.62	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	2 September 2011	2.11	2,000	–	–	–	–	2,000	–	–	–	–	1.747	2,415	–	2,778	5,193
	22 October 2014	1.25	16,483	–	–	–	(12,896)	3,587	–	–	–	(108)	1.035	4,203	(60)	1,570	5,713
Subtotal		–	18,483	–	–	–	(12,896)	5,587	–	–	–	(108)	–	6,618	(60)	4,348	10,906
Total		–	50,810	–	–	–	(24,619)	26,191	–	–	–	(108)	–	31,502	(5,933)	–	25,569
Exercisable at the end of the year		–	49,735	–	–	–	–	26,191	–	–	–	–	–	31,502	–	–	25,569
Weighted average exercise price		–	1.37	–	–	–	–	–	–	–	–	–	–	1.24	–	–	–

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28. SHARE OPTION SCHEME *(Continued)*

Note 1: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

Note 4: Options are exercisable on or after 22 October 2014, The options will be expired in the 10th year after the date of grant.

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, and equity attributable to owners of the Company as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and share buy-back as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS

a. CATEGORIES OF FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**595,006**	657,937
Financial liabilities		
Amortised cost	**546,560**	531,759

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, pledged bank deposits, bank balances, deposits and cash, trade and other payables, bills payable and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence; the Group do not precriting hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk, exposure and with consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2016 HK$'000	2015 HK$'000
Assets		
US$	**94,392**	169,205
RMB	**218,340**	244,359
HK$	**39,467**	277
Liabilities		
US$	**7,066**	20,047
RMB	**436,468**	233,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 2% (2015: 2%) against RMB, the Group's loss for the year ended 31 December 2016 would decrease by HK$3,272,000 (2015: increase by HK$162,000). If the HK$ strengthened by 2% (2015: 2%) against RMB, there would be an equal and opposite impact on the loss for the year. No sensitivity analysis for HK$ against RMB is presented as management considered that it is not significant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligations under finance leases (see notes 23 and 24 for details of these borrowings and leases).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 21 for details) and its variable-rate bank borrowings (see note 23 for details of these borrowings). The Group currently does not have any interest rate hedging policy. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings. The Group considered interest rate risk on bank balances and its variable-rate bank borrowing is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronics industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 49% (2015: 34%) of the trade receivables with normal credit terms and the largest trade receivable attributable to the Group's trade receivables with normal credit terms was approximately 24% (2015: 22%). The major customers are located in Hong Kong ("**HK**") and the PRC and are mainly engaged in the manufacturing and trading of consumer electronics. The five largest customers under normal credit terms have continuous repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group also has concentration of credit risk on certain major customers of the LED lighting industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 68% (2015: 27%) of the trade receivables with extended credit terms and the largest trade receivable attributable to the Group's trade receivables with extended credit terms was approximately 25% (2015: 9%). The major customers are located in the PRC including certain government authorities in the PRC and corporations which are mainly engaged in the construction industry. The trade receivables from certain government authorities in the PRC accounted for approximately 89.0% (2015: 67.6%) of the trade receivables with extended credit terms.

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

The credit risk on the Group's trade receivables with extended credit terms is limited because the counterparties are certain government authorities in the PRC or corporations having no default payment history.

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current liabilities of HK$4,075,000 as at 31 December 2016 (2015: net current assets of HK$9,816,000). As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainly exists that may cast significant doubt on the Group's ability to continue as a going concern.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2016								
Non-derivative financial liabilities								
Trade and other payables	7.96	–	336,519	–	–	–	336,519	332,326
Bills payable	–	–	80,541	–	–	–	80,541	80,541
Obligations under finance leases	8.29	–	252	–	–	–	252	225
Bank and other borrowings								
— fixed rate	4.61	–	134,927	–	–	–	134,927	133,468
		–	552,239	–	–	–	533,695	546,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2015								
Non-derivative financial liabilities								
Trade and other payables	–	–	274,433	–	–	–	274,433	274,433
Bills payable	–	–	135,146	–	–	–	135,146	135,146
Obligations under finance leases	5.95	–	329	252	–	–	581	523
Bank and other borrowings								
— fixed rate	3.90	–	122,771	–	–	–	122,771	121,657
		–	532,679	252	–	–	532,931	531,759

c. FAIR VALUE

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. OPERATING LEASES

OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2016 HK$'000	2015 HK$'000
Premises	2,845	2,545

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	1,619	2,018
In the second to fifth year inclusive	1,763	649
	3,382	2,667

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from two to five years with fixed rental.

The Group as lessor

During the year ended 31 December 2016, the Group did not earn any property rental income (2015: Nil).

32. CAPITAL COMMITMENT

Save as disclosed elsewhere in this annual report, the Group's capital expenditure as follow:

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of construction contracted for but not provided in the consolidated financial statements	688	–
Capital commitment in respect of capital not yet injected into associates	5,682	18,750
	6,370	18,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. PLEDGED OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2016 HK$'000	2015 HK$'000
Buildings	129,778	140,834
Plant and machinery	–	860
Pledged bank deposits	79,051	85,737
Prepaid lease payments	18,843	19,459
Bills receivables	1,544	–
	229,216	246,890

In addition, as at 31 December 2016, the carrying amounts of the Group's motor vehicles include amounts of HK$476,000 (2015: HK$878,000), in respect of assets held under finance leases which are secured by the lessor's charge over the leased assets.

34. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,500 per month (HK$1,500 since 1 June 2014). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the specific contributions under the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. MATERIAL RELATED PARTY DISCLOSURES

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

(i) RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management for the Group (representing directors and the chief executive officer) during the year are set out as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	**6,631**	26,491
Post-employment benefits	**110**	109
Share-based payments	**–**	–
	6,741	26,600

(b) For the year ended 31 December 2015 interest income from Mr. Chen Jing of approximately HK$95,000 constitutes continuing transactions.

(ii) RELATED PARTY BALANCES

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in note 20(a)(iii).

Note: The transaction constitutes continuing transaction under Chapter 14A of Listing Rules. Please also refer "Annual Review of Continuing Connected Transaction" under "Directors' Report".

36. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker for making strategic decisions. The Group is engaged in the manufacturing and trading of PCB and LED lighting and tradings of towers and electric cable and the information reported to the chief operating decision maker was analysed based on the three types of PCB, LED lighting and tradings of towers and electric cable which represent the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("**Single-sided PCB**")
- Manufacturing and trading of Double-sided PCB ("**Double-sided PCB**")
- Manufacturing and trading of Multi-layered PCB ("**Multi-layered PCB**")
- Manufacturing and trading of LED lighting
- Tradings of tower and electric cable

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND RESULTS

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	2016 HK$'000	2015 HK$'000
TURNOVER — external sales		
Single-sided PCB	**94,526**	157,811
Double-sided PCB	**141,909**	212,969
Multi-layered PCB	**113,186**	157,031
LED lighting	**9,242**	5,797
Tradings of tower and electric cable	**36,587**	–
Total	**395,450**	533,608
RESULTS		
Segment losses		
– Single-sided PCB	**(16,586)**	(18,688)
– Double-sided PCB	**(24,900)**	(25,219)
– Multi-layered PCB	**(19,860)**	(18,595)
– LED lighting	**(22,402)**	(10,863)
– Tradings of tower and electric cable	**8,943**	–
	(74,805)	(73,365)
Other income	**986**	3,955
Central administrative costs	**(3,427)**	(3,384)
Finance costs	**(12,699)**	(11,203)
Loss before tax	**(89,945)**	(83,997)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose) and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. SEGMENTAL INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment results:

	2016 HK$'000	2015 HK$'000
Depreciation and amortisation		
– Single-sided PCB	**6,125**	7,591
– Double-sided PCB	**9,196**	10,244
– Multi-layered PCB	**7,334**	7,553
– LED lighting	**968**	1,133
– Tradings of tower and electric cable	**–**	–
	23,623	26,521
– unallocated	**1,047**	1,384
	24,670	27,905
Net written off/impairment loss (reversed)/recognised in respect of trade and other receivables		
– Single-sided PCB	**–**	(338)
– Double-sided PCB	**–**	–
– Multi-layered PCB	**(351)**	–
– LED lighting	**14,225**	(400)
– Tradings of tower and electric cable	**–**	–
	13,874	(738)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

Detailed below is information about the Group's turnover from external customers and information about its non-current assets (excluding trade receivables with extended credit terms and interests in associates), analysed by their geographical location: Group's operations are located in HK and the PRC.

	Turnover from external customers For the year ended 31 December		Non-current assets As at 31 December	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Asia:				
HK	**70,790**	128,159	**753**	1,199
Taiwan	**14,940**	37,391	**–**	–
The PRC (other than HK and Taiwan)	**243,157**	240,433	**217,288**	228,882
Japan	**–**	250	**–**	–
Other Asian countries	**11,888**	36,146	**–**	–
Europe:				
Austria	**11,016**	24,595	**–**	–
Holland	**155**	10,798	**–**	–
Hungary	**9,916**	5,348	**–**	–
Switzerland	**1,664**	25	**–**	–
Turkey	**16,631**	11,700	**–**	–
Other European countries	**1,579**	14,632	**–**	–
Others	**13,714**	24,131	**–**	–
	395,450	533,608	**218,041**	230,081

The non-current assets excluded interests in associates and trade receivables with extended credit terms.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from major customers, each of them accounted for the 10% or more of the Group's revenue, are set out below:

	2016 HK$'000	2015 HK$'000
Customer A	**53,274**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS		
Investments in subsidiaries	**128,094**	128,094
Amounts due from subsidiaries (note)	**519,910**	476,635
Other receivables	**32,376**	32,736
Bank balances and cash	**3,336**	1,969
	683,716	639,434
LIABILITIES		
Amounts due to subsidiaries	**533,591**	536,870
Other payables	**5,456**	3,702
	539,047	540,572
Net assets	**144,669**	98,862
CAPITAL AND RESERVES		
Share capital	**102,964**	53,074
Reserves	**41,705**	45,788
	144,669	98,862

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

Chen Yongsen
Director

Chen Hua
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: (continued)

Reserves of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury share HK$'000	Share option reverse HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000	Accumulated (losses)/ profit HK$'000	Total reserves HK$'000
At 1 January 2015	517,553	470	–	44,053	1,893	145,058	(614,887)	94,140
Loss and total comprehensive expense of the year	–	–	–	–	–	–	(48,352)	(48,352)
Release upon lapse of share option	–	–	–	(17,400)	–	–	17,400	–
At 31 December 2015	517,553	470	–	26,653	1,893	145,058	(645,839)	45,788
At 31 December 2015 and 1 January 2016	517,553	470	–	26,653	1,893	145,058	(645,839)	45,788
Loss and total comprehensive expense of the year	–	–	–	–	–	–	(25,618)	(25,618)
Issue of shares upon subscription of shares, net	21,567	–	–	–	–	–	–	21,567
Transaction cost of issue of share upon open offer	(32)	–	–	–	–	–	–	(32)
Release upon lapse of share option	–	–	–	(4,617)	–	–	4,617	–
At 31 December 2016	539,088	470	–	22,036	1,893	145,058	(666,840)	41,705

Note: The capital contribution surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Tat Chun PCB International Company Limited acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

38. LITIGATION

(a) On 9 December 2014, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TCO Jiangsu**"), a subsidiary of the Company, received a writ issued by 連雲港市連溧椿基工程有限公司中雲分公司 (the "**Plaintiff**") against TCO Jiangsu and filed with Lianyungang City Lianyun District People's Court ("**Lianyungang Court**") together with the related court summons, whereby the Plaintiff alleged that TCO Jiangsu shall make a payment of RMB1,331,000 (approximately HK$1,662,000) to them in settlement of certain construction cost. In view of the possible cash outflow arising from such proceedings, the full amount of the claim was provided for and recognised as other gains and losses in the consolidated financial statements for the year ended 31 December 2014. In July 2015, Lianyungang Court made an order requiring TCO Jiangsu to make full payment under the claim. In April 2016, Lianyungang Court granted a seizure order (the "**Seizure Order**") over a piece of land ("**Jiangsu Land**") owned by TCO Jiangsu in favour of the Plaintiff, such that if TCO Jiangsu fails to settle the judgment debt then Lianyungang Court shall arrange for an auction or market disposal of the Jiangsu Land. In September and October 2016, other subsidiaries of the Group have fully settled the Plaintiff's judgment debt on TCO Jiangsu's behalf. In November 2016, upon TCO Jiangsu's application to Lianyungang Court, the Seizure Order over the Jiangsu Land was discharged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. LITIGATION *(Continued)*

(b) The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**", formerly the chief executive officer and executive director the Company before he resigned on 5 June 2015) seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,224,000, being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May 2016 and 14 July 2016.

(c) In August 2016, Shenzhen Qianhai Dahuangyuan Finance Lease Company Limited (深圳市前海大荒緣融資租賃有限公司) applied to the China Guangzhou Arbitration Commission for an arbitration against TCO Jiangsu alleging that TCO Jiangsu owed the applicant joint and several liability in the payable in the amount of RMB4,200,000 owed by certain subsidiaries of the Group to the applicant. On 4 August 2016, a conciliation statement was issued by the China Guangzhou Arbitration Commission, vide Case No. (2016) Wei Zhong Zhong An Zhi Di 5476 ((2016) 穗仲中案字第5476號) (the "**Arbitration**"), in which TCO Jiangsu agreed to pay the alleged amount of RMB4,200,000. In September 2016, the applicant applied to Lianyungang Intermediate People's Court for an enforcement order in favour of the applicant to enforce against certain bank accounts of TCO Jiangsu for the amount of RMB4,464,854. Having regard to the Notice of Enforcement Conclusion issued by the Lianyungang Intermediate People's Court, the court case No. (2016) Su 07 Zhi No. 332 ((2016) 蘇07執332號) had been enforced and concluded and accordingly, the PRC legal adviser of the Group, Beijing Yingke Law Firm Guangzhou Office, advised that there is no possibility that the Jiangsu Land will be seized under the Arbitration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of Nominal value of issued share capitally paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2016	2015	2016	2015	
Tat Chun PCB International Company Limited 達進電路版國際有限公司	HK	Ordinary shares HK$10,000	**100%**	100%	**–**	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	**100%**	100%	**–**	–	Trading of printed circuit boards
TC Hong Kong Electric Company Limited 達進香港電子有限公司	HK	Ordinary shares HK$1	**100%**	100%	**–**	–	Trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board Company Limited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$236,500,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun 廣東達進電子科技有限公司	The PRC (note ii & iii)	Registered capital HK$417,676,502 Paid up capital HK$265,008,609	**55.5%**	55.5%	**45.5%**	45.5%	Manufacturing and trading of printed circuit boards
達進東方照明（深圳）有限公司	The PRC (note ii)	Registered capital HK$113,827,000	**–**	–	**70%**	70%	Manufacturing and trading of LED lighting
達進東方能源管理（啟東）有限公司	The PRC (note i)	Registered capital HK$62,121,300	**–**	–	**100%**	100%	Trading of LED lighting
吳川榮森貿易有限公司	The PRC (note iv)	Registered capital HK$595,000 Paid up capital HK$303,450	**–**	–	**51%**	–	Trading of tower and electric cable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The company is a sino-foreign equity joint ventures.

(iii) As at 31 December 2016, the Group had capital commitment in respect of capital not yet injected into a PRC subsidiary amounted to HK$152,667,893 (2015: HK$154,997,732).

(iv) As at 31 December 2016, the company has incorporated at a capital amounted to HK$595,000. The Group has 51% interest of the company and a paid-up capital amounted to HK$303,450.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Details of 達進東方照明（深圳）有限公司 (“**TC Orient (SZ)**”) and 吳川榮森貿易有限公司 (“**RS**”), non-wholly owned subsidiary with material non-controlling interests, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	2016 **HK$'000**	2015 HK$'000
Loss allocated to non-controlling interest of TC Orient (SZ)	**5,929**	3,100
Profit allocated to non-controlling interest of RS	**(2,861)**	–
Individually immaterial subsidiaries	**418**	106
	3,486	3,206
Accumulated non-controlling interests TC Orient (SZ)	**4,879**	10,808
Accumulated non-controlling interests of RS	**2,861**	–
Individually immaterial subsidiaries	**(7,880)**	(5,885)
	(140)	4,923

Summarised financial information in respect to TC Orient (SZ) and RS are set out below. The summarised financial information below represents the amounts before intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) TC ORIENT (SZ)

	2016 HK$'000	2015 HK$'000
Current assets	**267,272**	291,519
Non-current assets	**112,050**	121,339
Current liabilities	**(349,303)**	(364,113)
Total equity	**30,019**	48,745
Revenue	**9,242**	5,797
Expenses	**(10,520)**	(16,129)
Loss for the year	**(19,762)**	(10,332)
Other comprehensive income/(expense) for the year	**1,037**	(4,240)
Total comprehensive expense for the year	**(18,725)**	(14,572)
Net cash inflow/(outflow) from operating activities	**24,860**	(538)
Net cash inflow from investing activities	**125**	24
Net cash outflow from financing activities	**(16,492)**	(7,721)
Net cash inflow/(outflow)	**8,493**	(8,235)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) 吳川榮森貿易有限公司 ("RS")

	2016 HK$'000
Current assets	68,735
Non-current assets	–
Current liabilities	(62,329)
Total equity	(6,406)
Revenue	36,587
Expenses	(42,425)
Loss for the year	(5,838)
Other comprehensive expense for the year	27
Total comprehensive expense for the year	(5,811)
Net cash outflow from operating activities	(21,366)
Net cash inflow from investing activities	7
Net cash inflow from financing activities	34,851
Net cash inflow	13,492

FINANCIAL SUMMARY

For the year ended 31 December 2016

RESULTS

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	835,501	676,207	705,921	533,608	**395,450**
Loss for the year	(281,307)	(316,588)	(116,419)	(84,431)	**(92,522)**

ASSETS AND LIABILITIES

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,336,911	1,089,863	1,141,123	980,210	**922,392**
Total liabilities	(639,784)	(684,385)	(759,444)	(694,715)	**(657,027)**
Total equity	697,127	405,478	381,679	285,495	**265,365**
Equity attributable to owners of the Company	675,314	392,601	373,212	280,572	**265,505**
Non-controlling interests	21,813	12,877	8,467	4,923	**(140)**
	697,127	405,478	381,679	285,495	**265,365**