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 2017

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yongsen *(Chairman)*
(resigned on 20 April 2018)
Mr. Wang Shi Jin *(Chief Executive Officer)*
Mr. Chen Hua
Mr. Xu Ming
Mr. Guo Jun Hao (appointed on 10 April 2017)
Mr. Zeng Yongguang (appointed on 27 March 2018)
Mr. Wong Wing Choi (resigned on 3 April 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong
(retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

AUDIT COMMITTEE

Mr. Anson Poon Wai Kong *(chairman of committee)*
(retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

REMUNERATION COMMITTEE

Mr. Anson Poon Wai Kong *(chairman of committee)*
(retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

NOMINATION COMMITTEE

Mr. Chen Yongsen *(chairman of committee)*
(resigned on 20 April 2018)
Mr. Anson Poon Wai Kong
(retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

COMPLIANCE COMMITTEE

Mr. Wang Shi Jin *(chairman of committee)*
Mr. Anson Poon Wai Kong
(retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

CORPORATE INFORMATION

COMPANY SECRETARY

Mr. Chan Chun Kau

HEAD OFFICE

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

STATEMENT FROM THE BOARD

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**"), we are pleased to present the Group's result for the year ended 31 December 2017 (the "**Year**").

Regarding the PCB business sector, during the Year, the Company has been continuously facing difficult operating environment due to shrinkage of export markets and high raw material and operational costs. The principal reason for the Group's failure in obtaining more PCB orders from customers is the lack of capital for upgrading the Group's equipment and machinery to enhance precision, speed and quality and to bring in production lines with the new industry standard of robotic automation and artificial intelligence. The Group has taken various measures to confront the challenges. On one hand, the Group has taken various cost-savings and quality improvement measures so as to cover the competitive shortages. On the other hand, the Group has adopted strategic pricing policy and proactive marketing approach so as to canvass for new sales orders from both existing and potential customers.

Regarding the LED segment, during the Year, the Group has focused on credit management and optimisation of the trade receivable collection. The Group was also in negotiations with business partners with the view to pursuing projects and business opportunities. These negotiations are still ongoing.

On 31 October 2017, the Company announced a rights issue on the basis of one rights share for every one existing shares held at a price of HK$0.13 per rights share. The rights issue was oversubscribed and the Company allotted and issued a total 1,029,635,216 rights shares, with actual net proceeds of approximately HK$130.8 million. With the proceeds from the rights issue, the Group is in a better position not only to reduce its debt but also to capture business opportunities going forward

Sincerely yours,

Chen Hua
Director

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognises 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 except for the following:

Under Code Provision C.1.2, management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the Year, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management considers to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the Group's performance and enabling Directors to discharge their duties.

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 2017.

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 nine members, consisting of five executive Directors and four 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 20 to 21 of the Annual Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS (Continued)

THE BOARD (Continued)

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.

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 nonexecutive 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 13 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)* (resigned on 20 April 2018)	13/13
Mr. Wang Shi Jin *(Chief Executive Officer)*	11/13
Mr. Chen Hua	10/13
Mr. Xu Ming	13/13
Mr. Guo Jun Hao (appointed on 10 April 2017)	9/9
Mr. Zeng Yongguang (appointed on 27 March 2018)	N/A
Mr. Wong Wing Choi (resigned on 3 April 2017)	2/3
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong (retiring at upcoming AGM on 6 June 2018)	5/13
Mr. Li Hongxiang	12/13
Mr. Wong Kwok On	13/13
Mr. Bonathan Wai Ka Cheung	13/13
Ms. Chen Lei (resigned on 18 December 2017)	12/12

The Company held the 2017 Annual General Meeting on 2 June 2017.

CORPORATE GOVERNANCE REPORT

DIRECTORS (Continued)

CHAIRMAN AND CHIEF EXECUTIVE

Since 16 November 2015, Mr. Chen Yongsen is the Chairman of the Board of Directors. Mr. Chen resigned as an executive Director and the Chairman of the Board of Directors on 20 April 2018. Since 16 November 2015, Mr. Wang Shi Jin is the CEO of the Company.

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)* (resigned on 20 April 2018)	B
Mr. Wang Shi Jin *(Chief Executive Officer)*	A, B
Mr. Chen Hua	B
Mr. Xu Ming	B
Mr. Guo Jun Hao (appointed on 10 April 2017)	B
Mr. Zeng Yongguang (appointed on 27 March 2018)	N/A
Mr. Wong Wing Choi (resigned on 3 April 2017)	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong (retiring at upcoming AGM on 6 June 2018)	A
Mr. Li Hongxiang	B
Mr. Wong Kwok On	A
Mr. Bonathan Wai Ka Cheung	B
Ms. Chen Lei (resigned on 18 December 2017)	B

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

DIRECTORS (Continued)

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, Remuneration Committee and Compliance 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 2017 and the date of this Annual Report, the Remuneration Committee of the Company ("**RC**") comprised of three directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung, all of whom being independent non-executive Directors. As at 31 December 2017 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 3 meetings. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Anson Poon Wai Kong *(chairman of committee)* (retiring at upcoming AGM on 6 June 2018)	0/3
Mr. Li Hongxiang	3/3
Mr. Bonathan Wai Ka Cheung	3/3
Mr. Chen Lei (resigned on 18 December 2017)	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:

	2017 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

NOMINATION COMMITTEE

As at 31 December 2017, the Nomination Committee of the Company ("**NC**") comprised of four directors, namely, Mr. Chen Yongsen, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung. As at the date of the report, the NC comprised of three directors namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung. Three NC members, namely Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung, were independent non-executive directors. As at 31 December 2017, Mr. Chen Yongsen, an executive director and the Chairman of the Board, was the chairman of the NC. Mr. Chen Yongsen resigned on 20 April 2018.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

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 2 meetings. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Chen Yongsen *(chairman of committee)* (resigned on 20 April 2018)	2/2
Mr. Anson Poon Wai Kong (retiring at upcoming AGM on 6 June 2018)	0/2
Mr. Li Hongxiang	2/2
Mr. Bonathan Wai Ka Cheung	2/2
Ms. Chen Lei (resigned on 18 December 2017)	2/2

COMPLIANCE COMMITTEE

As at 31 December 2017 and the date of this Annual Report, the Compliance Committee of the Company ("**CC**") comprised of four directors, namely, Mr. Wang Shi Jin, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung . Three out of four CC members, namely Mr. Anson Poon Wai Kong, Mr. Li Hongxiang and Mr. Bonathan Wai Ka Cheung, are independent non-executive Directors. As at 31 December 2017 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 did not hold any meeting. The attendance of each member is set as follows:

Name of members	Number of attendance
Mr. Wang Shi Jin *(chairman of committee)*	0/0
Mr. Anson Poon Wai Kong (retiring at upcoming AGM on 6 June 2018)	0/0
Mr. Li Hongxiang	0/0
Mr. Bonathan Wai Ka Cheung	0/0
Ms. Chen Lei (resigned on 18 December 2017)	0/0

CORPORATE GOVERNANCE REPORT

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 2017, 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.

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.

A comprehensive internal control report has been issued by the Company's compliance offer and internal auditor and reviewed and discussed by the members of Audit Committee during its latest Audit Committee meeting. The management of the Company has accepted all relevant recommendations in the internal review reports and to be incorporated into the Company's daily operations manual.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (Continued)

AUDIT COMMITTEE

As at 31 December 2017 and the date of this Annual Report, the Audit Committee of the Company ("**AC**") comprised of four independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. One out of four AC members, Mr. Anson Poon Wai Kong possesses recognised professional qualifications in accounting and has wide experience in audit and accounting. As at 31 December 2017 and the date of this Announcement, Mr. Anson Poon Wai Kong is the chairman of the 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.

The Group's audited financial statements for the year ended 31 December 2017 has been reviewed by the AC, 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.

During the Year, the AC held 2 meetings 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 members	Number of attendance
Mr. Anson Poon Wai Kong *(chairman of committee)* (retiring at upcoming AGM on 6 June 2018)	1/2
Mr. Li Hongxiang	2/2
Mr. Wong Kwok On	2/2
Mr. Bonathan Wai Ka Cheung	2/2
Ms. Chen Lei (resigned on 18 December 2017)	2/2

The Company's annual results for the year ended 31 December 2017 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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (Continued)

AUDIT COMMITTEE (Continued)

Under Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Under Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2).

Mr. Poon is the only independent non-executive Director who has appropriate professional qualifications or accounting or related financial management expertise. Due to Mr. Poon's retirement, the Company may fail to meet the requirements under Rules 3.10(2) and 3.21 of the Listing Rules. The Company will identify suitable candidate to fill the vacancy in the Board within three months after failing to meet such requirements. Further announcement will be made in relation to the appointment when it materializes.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2017, 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	71
— Interim review	300
— Other	200

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.

CORPORATE GOVERNANCE REPORT

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. During the Year, Mr. Chan has taken no less than 15 hours of relevant professional training.

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 2017		Year 2016		Increase/ (decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
LED Lighting	**8**	**0%**	9,242	2.3%	(9,234)	(100.0)%
Single-sided PCB	**107,433**	**19.2%**	94,526	23.9%	12,907	13.7%
Double-sided PCB	**99,095**	**17.7%**	141,909	35.9%	(42,814)	(30.2)%
Multi-layered PCB	**159,075**	**28.4%**	113,186	28.6%	45,889	40.5%
Tradings of tower and electric cable	**193,832**	**34.7%**	36,587	9.3%	157,245	430%
	559,443	**100.0%**	395,450	100.0%	163,993	41.5%

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 36.9% (2016: 59.8%) of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 28.4% (2016: 28.6%) of turnover.

Since second half year of 2016, the Group has participated in the trading of tower and electric cable business in PRC. The turnover of this sector has generated revenue amounted HK$193,832,000 for the year ended 31 December 2017 (2016: HK$36,587,000), accounting for 34.7% (2016: 9.3%) of total turnover.

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

	Year 2017		Year 2016		Increase/ (decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Hong Kong	**62,373**	**11.2%**	70,790	17.9%	(8,417)	(11.9)%
The PRC	**426,420**	**76.2%**	243,157	61.5%	183,263	75.4%
Asia (excluding Hong Kong and the PRC)	**11,192**	**2.0%**	26,828	6.8%	(15,636)	58.3%
Europe	**43,880**	**7.8%**	40,961	10.3%	2,919	7.1%
Others	**15,578**	**2.8%**	13,714	3.5%	1,864	13.6%
	559,443	**100.0%**	395,450	100.0%	163,993	41.5%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong, the PRC and one LED manufacturing plant located at Shenzhen, Guangdong, 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.	Single-sided PCBs	530,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong, the PRC	52,000 sq. m.	Double-sided and multi-layered layered PCBs	420,000 sq. ft. per month	October 2007

FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$559.4 million (2016: HK$395.5 million), representing an increase of 41.5% as compared to the last year. The turnover of LED lighting has decreased by 100.0% when compared with 2016. The gross profit margin for the year of 2017 was 1.3% (2016: 1.0%). The gross profit/(loss) margins for LED lighting, PCBs and tower and electric cable were 20%, -0.8% and 5.3% respectively.

The negative 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$98.5 million (2016: HK$89.0 million).

IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised respectively for 2016 and 2017 in respect of plant and machinery and leasehold improvements.

WRITTEN OFF IN RESPECT OF INVENTORIES

During the year, HK$15.3 million (2016: Nil) has been recognised as written off in respect of inventories for the year ended 31 December 2017.

RECOGNISED SHARE BASED PAYMENTS

During the year ended 31 December 2017, the Group recognised HK$3.5 million share based payment (2016: Nil). No negative cash flow effect is made to the Group as a result of these share based payments.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

IMPAIRMENT LOSS AND AMOUNT RECOVERED RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

During the Year, the management performed an impairment assessment and recover amount on trade receivables and other receivables, resulting in net amount recovered of HK$4.2 million (2016: Net impairment losses of HK$13.9 million) being recognised for the Group's LED lighting and PCB businesses.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group had total assets of approximately HK$895.0 million (2016: HK$922.4 million) and interest-bearing borrowings of approximately HK$179.3 million (2016: HK$243.4 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 20.0% (2016: 26.4%).

The Group had net current assets of approximately HK$76.7 million (2016: net current liabilities of HK$4.1 million) consisted of current assets of approximately HK$658.8 million (2016: HK$637.9 million) and current liabilities of approximately HK$582.1 million (2016: HK$642.0 million), representing a current ratio of approximately 1.13 (2016: 0.99).

As at 31 December 2017, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$66.1 million (2016: HK$146.8 million). As at 31 December 2017, the Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$43.6 million (2016: HK$67.8 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 2017, the Group employed a total of approximately 1,203 employees (2016: 1,322), including approximately 1,166 employees in its Zhongshan production site, 21 employees in its LED division in China and other business units and approximately 16 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 2016: Nil).

LITIGATIONS

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.

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

RIGHT ISSUE OF 1,029,635,216 SHARES AT HK$0.13 PER SHARE

On 31 October 2017, the Company announced a proposed rights issue on the basis of one rights share for every one existing shares held at a price of HK$0.13 per rights share. The rights issue was oversubscribed and was completed on 21 December 2017, when the Company allotted and issued a total 1,029,635,216 rights shares raising actual net proceeds of approximately HK$130.8 million which was intended to be used (a) as to approximately HK$96.3 million for partial repayment of the Group's other payables (principally higher-cost short-term loans); and (b) as to approximately HK$34.5 million for partial settlement of the account payable to suppliers which are immediately due or overdue. As at 31 December 2017, HK$110 million out of the proceeds was utilized for repayment of loan and interest payables and HK$7.4 million was utilized for settlement of payables to suppliers.

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:

	2017 **HK$'000**	2016 HK$'000
Buildings	**132,297**	129,778
Plant and machinery	**7,376**	—
Pledged bank deposits	**22,453**	79,051
Prepaid lease payments	**18,228**	18,843
Bills receivable	**—**	1,544
	180,354	229,216

CONTINGENT LIABILITIES

The Company has no contingent liabilities for the year ended 31 December 2017.

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

Looking forward, the Board considers that it is vital and necessary for the Group to dedicate more efforts on the research and development with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the PCB business. 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. However, due to the lack of sufficient budget to support the investment on new machinery, the schedule for introducing new corporate customers in the copper-based PCB sector has lagged behind.

Regarding the LED segment, the Group intends to focus on credit management and to optimise the trade receivable collection. The Group intends to continue to look for good business opportunities in the PRC.

The Group will also adopt prudent business approach for the business of trading of tower and electric cable in order to further develop such business in the coming year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Yongsen, aged 47, 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. With effect from 20 April 2018, Mr. Chen resigned as an executive Director and the Chairman of the Board.

Mr. Wang Shi Jin, aged 64, 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 55, 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 46, 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 36, 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. Zeng Yongguang, aged 45, was appointed as an executive Director with effect from 27 March 2018. He graduated from Beijing Language and Culture University (北京語言大學) in 2011 majoring in International Economics and Trade. Mr. Zeng has many years of management experience with commercial banks in China. Mr. Zeng is currently a director of the following subsidiaries of the Company, namely, Tat Chun PCB International Company Limited, Tat Chun Printed Circuit Board Company Limited, TC Hong Kong Electric Company Limited and TC Orient LED Energy Management Company Limited, TC Orient Jiangsu Holdings Company Limited, TC Orient Lighting (Shenzhen) Limited. (達進東方照明(深圳)有限公司), Guangdong Tat Chun Electronic Technology Co., Ltd. (廣東達進電子科技有限公司), Zhongshan Tat Chun Printed Circuit Board Company Limited. (中山市達進電子有限公司), 中山市達進電子元件有限公司, 深圳市新達際商貿有限公司, 吳川榮森貿易有限公司, 達進東方(揚州)投資有限公司, 中山市一心商貿有限公司, 廣東大鵬電力器材有限公司, TC (BVI) Limited and Best Pursue Holdings Limited.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

EXECUTIVE DIRECTORS (Continued)

Mr. Wong Wing Choi, aged 53, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong, aged 46, 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). On 20 April 2018, the Board approved and accepted the retirement of Mr. Poon at the upcoming annual general meeting ("**AGM**") of the company scheduled to be held on 6 June 2018.

Mr. Li Hongxiang, aged 27, 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 organisation of youth and student activities amongst the Chinese population in Australia.

Mr. Wong Kwok On, aged 63, 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.

Mr. Bonathan Wai Ka Cheung, aged 26, 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 28, 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. With effect from 18 December 2017, Ms. Chen Lei resigned as an independent non-executive Director.

SENIOR MANAGEMENT

Mr. Chen Changzhi, aged 54, 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

ABOUT THIS REPORT

This report describes the sustainable development policies, strategies and issues of the Company for the year ending 31 December 2017. It was prepared by the "Environmental, Social and Governance Reporting Guidelines" contained in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Unless otherwise stated, this report mainly covers the main business of the Group - the Printed Circuit Board (PCB) business, which manufactures and sells multi-layer, double-layer and single-layer circuit boards and high-density interconnect circuit boards to multinational companies and large Chinese brands, and electronics manufacturing service companies.

The Group believes that grasping the opinions of stakeholders can bring long-term growth to the Group and lay a solid foundation for success. The Group provides various channels for stakeholders in different areas, such as the annual general meeting, website of the Group and email notifications, providing them with an opportunity to express their opinions on the sustainable development performance and future strategies the Group. In order to enhance the performance of the future business sustainability of the Company, any comments and suggestions on this report are welcome and any feedback can be sent to tatchun@tatchun.com.

COMPANY PROFILE

The Group successfully listed on the main board of The Stock Exchange of Hong Kong Limited on 23 June 2006. After years of experience and efforts in printed circuit boards, it has become a high-quality manufacturer of printed circuit boards. The Group's PCB products are widely used in consumer electronics, computers and computer peripheral equipment, communications equipment and automotive electronics products. Its customer network covers China, the United States, Europe, Japan, Korea, Hong Kong and Singapore, and the Group also operates in Zhongshan, Guangdong Province, China. There are two production plants with a total area of approximately 110,000 square meters and a total annual circuit board production capacity of approximately 11.4 million square feet.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GROUP CULTURE, PHILOSOPHY AND VISION

Based on the management consciousness of "Quality is the way to survive", the Group implements total quality management and is committed to becoming a pioneer Company in the circuit board industry.

SUSTAINABLE DEVELOPMENT CONCEPT

Persist to perform "Five Highs Five Lows"	High technology, high quality, high value-added, high efficiency, high return; Low emissions, low loss, low energy consumption, low repetition, low risk
Willing to learn and be creative	To establish a concept of lifelong learning, be willing to learn, be willing to learn, and constantly review and practice, so as not to break the horizon, and apply the learned knowledge to work to increase work efficiency and create benefits
Team power is a magic weapon for success	Fully trust, give full play to the expertise of employees, strengthen the unity and cooperation among various departments, and enhance systematized and scientific management, so as to obtain the best benefits and win the competition.

PRODUCTS LIABILITY

In order to ensure the quality of the Group's products, the Group has established a quality management system in addition to the quality policy and in accordance with ISO 9001:2008, IEQC QC080000:2012 and ISO/TS 16949:2009 specifications, to ensure the standardization of production processes, measurement and analysis the process, as well as the continuous improvement of continuous improvement of product quality, achieve sustainable development goals. Through the implementation of a strict management system, we have achieved the Group's quality policy of producing high-quality products, delivering products on time, and meeting customer requirements.

QUALITY SAFETY

Product safety and quality have a significant impact on the success of the Group. Therefore, the Group strives to improve our product quality. Among them, the Group's products meet the following chemical requirements

- Materials in the Substances of Very High Concerns (SVHC) under the European REACH Regulation
- EU Directive RoHS 2.0
- PFOS and PFOA (2006/122/EC)
- Halogen-free requirements
- Heavy metal requirements of EU Directive 94/62/EC

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRODUCTS LIABILITY (Continued)

QUALITY SAFETY (Continued)

In addition, the Group's products meet the requirements of related standards, including "Safety Requirements for Audio, Video and Similar Electronic Equipment (GB8898-2011)[1]" and "Information Technology Equipment Safety Part One: General Requirements (GB4943.1- 2011)". In addition, in order to meet the requirements of overseas customers, the Group's products also meet the requirements of the US Securities and Exchange Commission for conflict minerals[2].

The Quality Assurance Team also maintains close contact with customers from time to time, through visits and factory audits to obtain customer feedback on the quality of the Group's products and services. The Group will also conduct a questionnaire survey on the opinions of customers to make appropriate adjustments to product design and production.

With the efforts of the Group's scientific research team and highly recognized technologies, as well as nationally recognized quality, the Group has a number of patents, covering inventions, appearances and utility models. We believe that we can ensure the quality of our products that satisfy our customers:

- Aluminium nitride ceramic packaging technology
- Multi-layer leadless gold finger circuit board manufacturing method
- High-density interconnect and high-reliability multilayer circuit board
- Bright copper-oriented high thermal conductivity ceramic circuit board
- Teflon high-frequency circuit board

TESTING

In quality management, detection is an indispensable link. As a result, the Group has physical laboratories and chemical laboratories that conduct inspections of incoming materials, products and electroplating solutions, including incoming analysis, sampling for confidence testing and other tests such as backlight testing and chemical composition analysis. At the same time, the Group also regularly interviews and analyses the test results to systematically monitor product quality.

1 "Safety Requirements for Audio, Video, and Similar Electronic Equipment (GB8898-2011)" is a standard developed by the General Administration of Quality Supervision, Inspection and Quarantine, and the National Standardization Administration of the People's Republic of China. It applies to audio that is designed to be powered by a mains power source, a power supply device, or a battery. Video and related signal electronics.

2 Conflict Minerals is an act that traces gold (Au), Tantalum (Ta), tin (Tin), and tungsten (Tungsten, W) from products that are not derived from improper control of labor. And the non-human rights treatment of the Democratic Republic of the Congo and the mining areas surrounding the country.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRODUCTS RETURN

The Group's production operations are subject to laws and regulations concerning product liability in the place where it operates. The Group's policy is to accept products return after an internal investigation. If the Group determines that a product is solely defective due to its own default, the Group will accept the return and bear the costs associated with the return. Depending on the circumstances, the Group may repair, replace or refund the customer for the defective product.

During the period covered, the Group has not faced any major product liability claims, and the Group has not recalled any products due to safety and health reason and has not received any major customer complaints about the quality of the Group's products.

CUSTOMER PRIVACY

As the Group's policy, all employees must keep all corporate and customer information, including but not limited to transaction details, business forecasts, plans and budgets. The information should be kept confidential and cannot be used for personal purposes or disclosed to any third party for any benefit. When the Group deals with all customer data, only authorised personnel of relevant departments can access, process and retain data for operation.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Group values the protection of intellectual property, trademarks and patent rights and fully comply with relevant local laws and regulations. For this reason, all of the Group's employees must not download any software programs from the Internet to their computers without the prior consent of the relevant department to avoid infringement of intellectual property rights due to possible improper use of the software.

ENVIRONMENT

The production and disposal of electronic products have different degrees of influence on the environment. If some poisonous and harmful substances are released into the environment, their impact is even more difficult to control. Therefore, as a manufacturer of circuit boards, the Group is concerned about the environmental protection and non-toxicity of its products.

In view of this, the Group has set environmental protection guidelines, "based on regulations, reducing consumption and increasing efficiency, focusing on green, and continuously improving", to cover five aspects:

— complying with regulatory requirements;
— reducing consumption;
— reducing waste;
— increasing efficiency; and
— monitoring the toxic substances to ensure product quality and reduce the impact on the environment.

Through the implementation of environmental management systems and adopt a systematic approach to strengthen environmental management, The Group can effectively use the resources to better manage environmental performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT (Continued)

According to the environmental management system, the Group will formulate corresponding working procedures for different areas such as waste gas, waste water and waste. At the same time, employees' awareness of environmental protection and their awareness should not be overlooked. Therefore, the Group encourages employees to reduce consumption and waste, and provide relevant training for employees on an annual basis in accordance with the requirements of the environmental management system.

GREEN PRODUCTION

The impact on the environment by the Group's business is mainly related to the use of energy and water, and the generation of waste. The Group is committed to implementing the following three principles in order to minimize the impact of the Group's operations on the environment:

- Comply with all relevant environmental, legal and other statutory requirements
- All employees are required to perform environmental responsibility in their daily operating procedures
- Integrate environmental goals into business decisions in a cost-effective manner

Become a member of QC080000 system and ISO 14001 environmental management system

ISO 14001:2015 Environmental Management System and IECQ QC 080000:2012 The Hazardous Substances Process Management System standard is established based on the ISO 9001 quality management system standard. These Management Systems are established to ensure compliance of specific regulations on ISO 9001 standard, and to deal with requirements on RoHS and WEEE, and customers' specific product specifications to prevent hazardous substances on green products, process and procurement.

The environmental systems of the Group's production facilities are fully compliant with the requirements of ISO 14001:2015 and IECQ QC 080000:2012 and are certified accordingly. According to the ISO 14001:2015 environmental management system, various departments of the Company plan and control different resources. For example: The production materials control department is responsible for controlling the process materials, the production engineering department is responsible for planning the process materials and water planning, and the maintenance engineering department is responsible for the Energy management, production process water use control and water use planning. The Personnel Administration Department is responsible for the planning and control of domestic water use as well as providing training for related personnel. The Quality Assurance Department regularly audits the implementation of the above resource management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN PRODUCTION (Continued)

Become a member of QC080000 system and ISO 14001 environmental management system (Continued)

According to IECQ QC 080000:2012 Hazardous Substance Process Management System, a common process management model is being used to solve the Company's different products to deal with various harmful material management requirements by lining up different functional departments (including engineering, quality control, production and maintenance, etc). In addition, the Group has established Hazardous Substances Free ("**HSF**") policies and objectives by identifying and controlling the required processes; by providing resources to execute processes; and by monitoring products, processes, and systems so as to understand the status of the product, the capabilities of the process, the suitability, adequacy and effectiveness of the system. Such system ensures continuous improvement and commitment to pollution prevention through corrective action and continuous improvement.

The Group strongly advocates green office, strengthens daily operation and management, integrates low-carbon environmental protection concepts into the daily work of employees by implementing energy-saving office environment reforms, promoting paperless office management, and restricting employees' daily behaviors, enhances employees' awareness of energy conservation, and cultivates the environmental habits of employees.

EMISSION MANAGEMENT

The Group strictly implements the "Procedures for reducing the discharge of waste water, waste gas, and noise". The Production Engineering Department is responsible for assessing the monitoring plans for waste water, exhaust gas, noise, and set up plans to control emissions, collect management data, and recommend feasible emission reduction plans to conduct corresponding inspection and acceptance.

According to the production capacity and monitoring results, the Production Engineering Department evaluates the discharge volume of wastewater every three months, and the chemical oxygen demand and total copper volume in the wastewater discharge will be tested once a month. In addition, all purification towers of the whole plant will be inspected once a day, including the purification tower control box, host tower, and circulating water daily inspection. In addition, the Production Engineering Department maintains monthly exhaust gas treatment facilities and keeps records.

Gas Emissions

The hot gas generated during the normal production process is a non-hazardous waste gas and will be discharged directly to the outside of the factory through an axial fan. As for the emission of harmful exhaust gas, it will be divided into two types. If it does not exceed the "Air Pollution Emission Limit (DB4427-2001)", it will use a wind turbine blower and pump it to the ceiling of the building; if it exceeds the "air pollutant" The emission limit (DB4427-2001) will be purified using a purification facility. The purification treatment tower is designed as a cyclone plate and is equipped with a circulating water tank for the purpose of starting the water pump and the exhaust fan of the purification tower so that the exhaust gas enters the purification tower for purification, and the drainage thereof is discharged through the pipeline to the waste water station for unified treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN PRODUCTION (Continued)

Gas Emissions (Continued)

The Group has recruited qualified environmental testing agencies to conduct sample testing at the exhaust outlets of the plant in accordance with national standards to ensure that the concentration of pollutants in the pollutants meets the standards of the Integrated Emission Standard for Air Pollutants (GB16297-1996). During the period covered, the Group produced sulfur oxides (SOx) of approximately 0.02 kg.

GREENHOUSE GAS EMISSIONS

The Group complies with the Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard, formulated by the World Resources Institute and the World Business Council for Sustainable Development. The Group also complies the Hong Kong SAR Government Environmental Protection Department's "Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions and Deductions for Hong Kong Buildings (Commercial, Residential, or Public Use)" to report on the Group's greenhouse gas emissions.

Total greenhouse gas emissions (Area 1 and Area 2)	**23,107.49 tCO_2e**
Area 1 (Direct Emission)	475.13 tCO_2e
Area 2 (Indirect Emission)	22,643.86 tCO_2e
Area 1 (Removals)	11.50 tCO_2e
Total greenhouse gas emissions (Area 1 and Area 2) per ten thousand square meters of circuit boards(tCO_2e / ten thousand square meters)	231.08 tCO_2e / ten thousand square meters
Annual capacity of the circuit board (around 11.20 million square inchs)	1.0080 million square meters
Purchased electricity (thousand watts)	42,959,317 thousand watts
Diesel (thousand watts)	14,2779 thousand watts
Total energy consumption	42,973,596 thousand watts
Total energy consumption ten thousand square meters of circuit board (thousand watts / ten thousand square meters)	426,325 thousand watts / ten thousand square meters

Regarding the discharge of sewage, the Group has actively put forward specific reduction plans and established the water quotas for each production process, so as to ensure the processes that generate waste water will implement economic reduction targets. In order to meet laws, regulations and quality management system requirements, the Group has formulated a series of procedural instructions, including Wastewater Treatment Work Instructions, Water Purification Work Instructions, Sludge Dehydrator Work Instructions, etc., with continuous improvement targets. In addition to actively training employees, the work also arranges various departments to cooperate with each other to monitor and ensure the implementation of the plan. During the period covered, the Group has not faced any issue in sourcing water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN PRODUCTION (Continued)

Gas Emissions (Continued)

The chemicals contained in the sewage should be properly disposed of. And according to the "Environmental Factors Identification and Evaluation Control Procedures", the implementation of the Wastewater Reduction Program should be implemented to achieve the full promotion of environmental protection.

Total water consumption (cubic meter)	1,541,627 cubic meter
Water consumption per ten thousand square meters of circuit board (cubic meter /ten thousand square meters)	15,294 (cubic meters /ten thousand square meters)

RESOURCE USE AND ENERGY-SAVING MEASURES

In order to reduce the use of energy and water, reduce the generation of waste, and increase the rate of resource reuse, the Group strictly implements the "3R" principle, which is REDUCE, REUSE and RECYCLE. Develop energy and resource management systems to make the production process use resources better.

Reduce: Under the production premise, minimize the amount of materials used, and strictly control the amount of waste generated.

Reuse: Reuse materials to reduce waste generation and save resources

Recycling: Circulate reusable materials as much as possible without compromising product quality

One of the Group's environmental protection policies is to reduce energy consumption and increase efficiency. Therefore, the Group has already used LEDs with the hope to use LEDs to increase resource efficiency and reduce electricity consumption. In addition, when selecting packaging materials for circuit boards, the Group simplifies the design of packaging as much as possible, reduces the use of unnecessary packaging materials, and cherishes resources. During the period covered, the total amount of packaging materials used by the Group for finished products was approximately 158.57 metric tons. Details are shown in the table below. The density is 1.59 metric tons/ ten thousand square meters.

Paper	121.54 metric tons
Plastic	36.71 metric tons
Metal	0.31 metric tons
Others	0.01 metric tons

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN PRODUCTION (Continued)

RESOURCE USE AND ENERGY-SAVING MEASURES (Continued)

In dealing with hazardous waste (collect, transport, store and dispose), the Group complies with the label of GB18597 "Control Standards for Storage of Hazardous Waste" and collect, transport, store and dispose of it in accordance with relevant procedures to properly deliver hazardous waste to eligible suppliers for processing. Therefore, the Group controls the use of chemicals by strictly complying with the requirements of laws and regulations, clearly defining the list of hazardous wastes and chemical substances, and meeting the expectations of business-related individuals and local requirements for identifying hazardous wastes.

The Group implements the following measures to control hazardous waste disposal, including but not limited to:

- Provide employees with clear working instructions and protective equipment
- Ensuring that employees receive training courses on the management of hazardous waste and chemicals at the time of entry
- Hazardous waste must be stored in a strong articulated container that is resistant to acids and solvents
- Store hazardous wastes in special storage to reduce the risk of exposure, leakage, fire and explosion
- Hazardous wastes must be classified and stored in factory isolation areas
- Each year, the Company hold regular drills to deal with hazardous wastes and chemicals.
- Dispose of hazardous waste to a hazardous waste disposal company approved by the government
- Disposal of hazardous waste must be approved by the local government's environmental protection administrative department, and it should be put into a black garbage bag and handed over to the supplier with the "Hazardous Waste Operation Permit".

After the waste is generated in the production process, the Group will judge whether the waste is harmful or harmless according to the requirements of the quality management system or laws and regulations, and which department will handle it. For example, the Production Engineering Department will handle the non-hazardous wastes belonging to waste liquids and waste residues according to the "Dense Liquid Slag Handling Work Instructions"; the materials control department is responsible for the disposal of empty containers; the fire-fighting wastes are uniformly stored by the administrative personnel department, then put a label and issue a scrap. The above non-hazardous wastes, such as wastes and household waste, are managed by the contractor in accordance with the terms of the waste contract, and the amount of production is difficult to count due to centralized stacking. Therefore, during the period covered, the Group is unable to make the relevant disclosure. The Group expects to provide detailed quantitative analysis of key performance indicators for non-hazardous waste in the next year's Environmental, Social and Governance Report.

The total amount of hazardous waste generated by the Group during the period covered was 1,611 tons, including copper-containing wastes, dyes, coating wastes, etc., while the relative density of hazardous waste was 16.11 tons/ten thousand square meters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT

Maintaining and managing a sustainable and reliable supply chain is critical to the Group. The Group conducts comprehensive assessments of potential suppliers, imposes strict standards on suppliers' products and service quality, and regularly reviews suppliers. During the period covered, the Group had a total of 253 qualified green suppliers, all located in mainland China.

ENVIRONMENTAL SUPPLIERS

When screening potential suppliers, the Group will select the appropriate supply by taking into account the requirements on research and development including raw material pricing, services, scale, technical capabilities, reputation, product quality and the ability to ensure the timely delivery of raw materials. At the same time, it will also conduct a survey of raw materials on environmental management substances and assess whether the supplier's environmental quality meets environmental requirements. For suppliers that have obtained environmental certifications (e.g, IECQ QC08000, SONY GP/GB), they are given priority as qualified suppliers and the relevant qualified suppliers are registered in the "List of Approved Suppliers". The Group will also send staff to visit the factory of the candidate supplier and verify the certification of product quality to ensure the quality of service of the supplier.

In some cases, the customer will ask the Company to purchase raw materials for its production from specific suppliers. Before the Company issues an order to a specific supplier, the Company's purchasing staff and customers will also perform site visits or document audits with specific suppliers. In addition, the Quality Assurance Team will formulate the "Supplier Annual Review Plan" at the beginning of each year, and the procurement staff will notify the suppliers one week before the audit. All suppliers are required to accept the Company's annual assessment, including the assessment of their services, product quality, production costs and product delivery time, and record the relevant results in the "ROHS System Assessment Form" and obtain the approval of the audited suppliers. If there are any non-conforming items, the audit team will request the audited suppliers to make corrective actions and make follow-up confirmations until the case is closed.

MORAL INTEGRITY

ANTI-CORRUPTION

During the period covered, the Group focused on strengthening the anti-corruption system and revised a sound internal control framework and strict policies to prevent corruption and fraud. The Group continues to practice the principle of good faith and prohibit any unethical corruption, bribery or fraud while conducting business operations. During the period covered, the Group has not filed corruption litigation cases in violation of relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR EMPLOYEES

Employees are our valuable assets. The Group provides equal opportunities in the workplace to assess personal knowledge, technical standards and attitudes through tests and interviews, and to recruit suitable talents. The Group also clearly explains to the candidates the details of the pay and working hours etc. during recruitment. Basic employment terms such as dismissal, leave, benefits and benefits are recorded in the Group's staff handbooks and are in compliance with relevant laws and regulations. The Group is convinced that its success rely on passionate and progressive employees. Therefore, the Group is committed to providing employees with an adequate support, pleasant and healthy work environment.

BELIEVE IN TALENT

The Group adheres to the principles of fair competition and meritocracy. The Group believes that it is important to provide employees with equal opportunities based on the principles of fairness and fairness. They will never be affected by their age, gender, marital status, race, religion, nationality, and other factors. In addition, the Group adopts a zero-tolerance attitude towards gender, ethnicity, disability discrimination, and workplace harassment. The Group also respects human rights and prohibits discrimination, harassment, child labor and forced labor in the workplace. During the period covered, the Group confirmed there were no violations or any complaints relating to human rights and labor practices which had a significant impact on the Group.

EMPLOYEE BENEFITS

The Group's remuneration system strictly follows the "Labor Contract Law" and "Labor Law" and other relevant laws and regulations. It provides employees with five insurance and gold payments on time and in full, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund. The Group also provides employees with different types of allowances and performance bonuses, such as technical subsidies, departmental performance target bonuses, special job allowances, etc., to increase employee productivity. Each year, the Group reviews the remuneration of its employees to ensure that the remuneration of employees is fair and competitive.

Adhering to the spirit of "One party has difficulty, there are supports from all sides," and combined with the Company's actual situation, the Company has launched a staff mutual assistance fund to relieve the urgency and make it difficult for employees with specific difficulties to overcome difficulties. The "Employee Difficult Mutual Fund Management Committee" formulates and implements management methods for mutual aid payments. The funds of this committee are contributed voluntarily by all employees through the union of employees. Employees who have financial difficulties can receive assistance as a demonstration of spirit of mutual help and love and care for employees.

OCCUPATIONAL HEALTH AND SAFETY

The Group pays great attention to the physical, mental and occupational health of its employees. The Company arranges physical examinations for employees every year, proactively buys personal accidental injury insurance and major illness insurance for employees, and supplements medical insurance for employees to supplement social insurance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR EMPLOYEES (Continued)

OCCUPATIONAL HEALTH AND SAFETY (Continued)

The Company has implemented various measures in the workplace and production facilities to enhance occupational health and safety and ensure compliance with applicable laws and regulations. The Company has established a series of safety guidelines, rules and procedures for different aspects of production activities, including fire safety, factory safety, work injury and emergency and evacuation procedures, regular testing of machinery, equipment and materials in strict accordance with labor safety regulations, and ensuring personal protection for employees. Training courses are conducted and protection facilities are also provided. In order to raise awareness of industrial safety and reduce burns, allergies, and poisoning caused by exposure to chemicals during the production process, the Company requires employees to wear rubber gloves and protective glasses when carrying and preparing chemical medicine.

EMPLOYEE DEVELOPMENT

The Group actively cares about the career development of employees, commits itself to the professional development and growth of employees, and regards development and training as a continuous process. The Group provides and encourages employees at all levels to participate in various internal and external courses, including on-job and continuing training courses, to promote the development of job-related skills and knowledge, and provide equal opportunities for full learning, training and promotion.

In addition, the Company also actively provides continuous professional training for directors and senior management personnel, and maintains industry-related knowledge and skills at all times. Professional training includes various types of lectures and seminars to discuss topics such as leadership, corporate governance and the latest legal development.

EMPLOYEE COMMUNICATION

The Group believes that investing in employees will be important to the future development of the Company, and it is convinced that honest communication is the only way to effectively implement the work environment management system. The Group encourages employees at all levels of the Company to express their opinions through various communication channels, including suggestion boxes, websites, trade unions, internal communications and communication meetings, so that employees can speak freely and express ideas and suggestions. In addition to the above-mentioned communication channels, the Group also regularly organizes various types of recreational activities such as: basketball competitions, tug-of-war competitions, functional competitions, etc., and excellent employee travel, increasing communication opportunities among employees and a sense of belonging to the Company.

FEEDBACK TO SOCIETY

As a company with a sense of corporate citizenship and responsibility, while continuing to pursue development and breakthroughs, the Group is also actively participating in various charitable affairs and philanthropy activities, including participating in the Zhongshan Charity Millions, bringing care to the disadvantaged communities. Give back to society and create an atmosphere of mutual assistance and harmony. At the same time, the Group also encourages employees to participate in social charity and fundraising activities, such as visiting elderly homes, orphanages, and participating in blood donation activities to express their concern for society. Through the above activities, the Group believes that not only the quality of employees' thinking is improved, but also a care for the people who need help.

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 2017.

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 2017, 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 2017 are more particularly set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 and 2016.

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Share premium	**566,877**	539,088
Contributed surplus	**145,058**	145,058
Accumulated losses	**(687,687)**	(666,840)
	24,248	17,306

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY (Continued)

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 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital and warrants of the Company are set out in note 25 to the consolidated financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Chen Yongsen *(Chairman)* (resigned on 20 April 2018)
Mr. Wang Shi Jin *(Chief Executive Officer)*
Mr. Chen Hua
Mr. Xu Ming
Mr. Guo Jun Hao (appointed on 10 April 2017)
Mr. Zeng Yongguang (appointed on 27 March 2018)
Mr. Wong Wing Choi (resigned on 3 April 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong (retiring at upcoming AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Ms. Chen Lei (resigned on 18 December 2017)

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.

DIRECTORS' REPORT

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:

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 expired 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.

As disclosed by the Company on 22 July 2016 and 20 December 2017, as a result of the completion of the open offer and rights issue on 25 July 2016 and 20 December 2017, respectively, 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 30,992,575 Shares, representing 1.51% 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.

On 6 December 2017, the Company granted 90,000,000 share options under the New Share Option Scheme to certain eligible participants (as defined under the New Share Option Scheme) at an exercise price of HK$0.178 per share.

As at the date of this report, 225,766 share options were available for issue under the New Share Option Scheme, representing approximately 0.01% of the issued share capital of the Company.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Grantee	Date of grant	Exercise price per share before 20 December 2017 HK$	Outstanding at 1 January 2017 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Lapsed/ Forfeited during the period '000	Exercise price per share since 20 December 2017 HK$	Outstanding on 20 December 2017 '000	Lapsed/ Forfeited since 20 December 2017 '000	Reclassification '000	Outstanding at the date of this report '000	Exercise period
Directors:													
Chen Yongsen (Resigned on 20 April 2018)	6 December 2017	0.178	—	10,000	—	—	—	0.178	10,000	—	—	10,000	(Note 1)
Wang Shi Jin	6 December 2017	0.178	—	10,000	—	—	—	0.178	10,000	—	—	10,000	(Note 1)
Chen Hua	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Xu Ming	6 December 2017	0.178	—	5,000	—	—	—	0.178	5,000	—	—	5,000	(Note 1)
Guo Jun Hao	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Anson Poon Wai Kong (Retiring at upcoming AGM on 6 June 2018)	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Li Hongxiang	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Wong Kwok On	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Bonathan Wai Ka Cheung	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Chen Lei (Resigned on 18 December 2017)	6 December 2017	0.178	—	1,000	—	—	—	0.178	1,000	—	—	1,000	(Note 1)
Subtotal			—	32,000	—	—	—	32,000	—	—	32,000		
Consultants	29 November 2010	2.807	1,570	—	—	—	—	2.316	1,903	—	—	1,903	(Note 2)
	22 October 2014	1.035	13,093	—	—	—	—	0.854	15,870	—	—	15,870	(Note 4)
	6 December 2017	0.178	—	33,000	—	—	—	0.178	33,000	—	—	33,000	(Note 1)
Subtotal			14,663	33,000	—	—	—	50,773	—	—	50,773		
Employees	2 September 2011	1.747	5,193	—	—	—	—	1.440	6,295	—	—	6,295	(Note 3)
	22 October 2014	1.035	5,713	—	—	—	—	0.854	6,924	—	—	6,924	(Note 2)
	6 December 2017	0.178	—	25,000	—	—	—	0.178	25,000	—	—	25,000	
Subtotal			10,906	25,000	—	—	—	38,219	—	—	38,219		
Total			25,569	90,000	—	—	—	120,992	—	—	120,992		

Note 1: These optioned are exercisable (i) as to 50% from 1 January 2018 to 31 December 2019; and (ii) as to further 50% from 1 January 2019 to 31 December 2019.

Note 2: 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 3: 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 4: Options are exercisable on or after 22 October 2014. These options will expire on the 10th anniversary after the date of grant.

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' REPORT

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.

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).

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS (Continued)

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTION (Continued)

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 fulltime 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, 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	Other (Note 1)	128,262,303	24.17%
	Beneficial Owner (Note 2)	10,000,000	0.49%
Chen Hua	Corporate Interest (Note 3)	324,000,000	15.73%
	Beneficial Owner (Note 2)	1,000,000	0.05%
Chen Yongsen	Beneficial Owner (Note 2)	10,000,000	0.49%
Xu Ming	Beneficial Owner (Note 2)	1,000,000	0.05%
Guo Jun Hao	Beneficial Owner (Note 2)	1,000,000	0.05%
Anson Poon Wai Kong	Beneficial Owner (Note 2)	1,000,000	0.05%
Li Hongxiang	Beneficial Owner (Note 2)	1,000,000	0.05%
Wong Kwok On	Beneficial Owner (Note 2)	1,000,000	0.05%
Bonathan Wai Ka Cheung	Beneficial Owner (Note 2)	1,000,000	0.05%

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

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.

Note 2: Based on the disclosure of interest ("**DI**") filings made by the relevant person(s), the underlying Shares may be issued upon full exercise of the share options granted to the relevant directors on 6 December 2017, further details of which are set out in the section headed "Share Option Scheme".

Note 3: Based on the DI filings made by the relevant person, these 324,000,000 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 Xianggen.

Save as disclosed above, 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 2017.

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

At 31 December 2017, 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:

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	6.23%
Chen Jing (Note 1)	Beneficial owner and interest in controlled corporation	132,162,303	6.42%
Able Turbo Enterprises Limited (Note 2)	Beneficial owner	324,000,000	15.73%
Li Xianggen (Note 3)	Interest in controlled corporation	324,000,000	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.

DIRECTORS' REPORT

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

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 324,000,000 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 2017, 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.

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 34.1% to the total sales for the year. The Group's five largest customers accounted for 49.7% of the Group's total turnover for the year.

The Group's largest supplier contributed 11.8% to the total purchases for the year. The Group's five largest suppliers accounted for 38.5% 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 2017.

DIRECTORS' REPORT

AUDIT COMMITTEE

As at 31 December 2017 and as of the date of this Annual Report, the AC comprises of four independent non-executive Directors, namely, Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. One out of four 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 2017 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.

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 2017 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 2017 and 2016 are set out in the consolidated statement of financial position on page 52 and note 22 to the consolidated financial statements respectively.

DIRECTORS' REPORT

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.

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.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Continued)

COMMUNITY INVOLVEMENT

The Group is committed to participating in community events from time to time, and to the improvement of community wellbeing 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.

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 2017.

On behalf of the Board

Chen Hua
Director

Hong Kong
27 March 2018

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

香港
中環
畢打街11號
置地廣場
告羅士打大廈31樓

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 51 to 130 which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the 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.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
Refer to Note 15 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$132,297,000 as at 31 December 2017 and are stated at revalued amounts. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions 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 input data used. We found the key assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter

Impairment assessment on trade receivables and other receivables

Refer to Note 19 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$558,843,000. 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 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 (the "**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 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 skepticism 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, 27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Turnover	5	**559,443**	395,450
Cost of sales		**(551,924)**	(391,564)
Gross profit		**7,519**	3,886
Other income	6	**22,976**	20,435
Other gains and losses	7	**(11,375)**	(14,462)
Share result of an associate		**—**	(78)
Selling and distribution expenses		**(21,265)**	(24,122)
Administrative expenses		**(65,474)**	(62,905)
Finance costs	8	**(38,728)**	(12,699)
Loss before tax		**(106,347)**	(89,945)
Income tax expense	9	**(36)**	(2,577)
Loss for the year	10	**(106,383)**	(92,522)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Gain/(deficit) on revaluation of properties		**6,441**	(6,916)
Deferred tax (liabilities)/assets arising from revaluation of properties		**(1,610)**	1,729
		4,831	(5,187)
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(1,834)**	6,154
Other comprehensive income for the year		**2,997**	967
Total comprehensive loss for the year		**(103,386)**	(91,555)
Loss for the year attributable to:			
Owners of the Company		**(98,458)**	(89,036)
Non-controlling interests		**(7,925)**	(3,486)
		(106,383)	(92,522)
Total comprehensive loss attributable to:			
Owners of the Company		**(97,006)**	(86,492)
Non-controlling interests		**(6,380)**	(5,063)
		(103,386)	(91,555)
			(restated)
Loss per share			
Basic and diluted (in HK cents)	14	**(7.04)**	(8.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**174,076**	186,578
Prepaid lease payments — non-current portion	16	**31,326**	31,463
Interests in associates	17	**—**	24,404
Trade receivables with extended credit terms	19(a)	**30,713**	41,998
		236,115	284,443
Current assets			
Inventories	18	**46,982**	70,523
Prepaid lease payments — current portion	16	**934**	915
Trade and other receivables	19(a)	**528,130**	415,171
Bills receivables	19(b)	**16,708**	4,528
Pledged bank deposits	20	**22,453**	79,051
Bank balances, deposits and cash	20	**43,633**	67,761
		658,840	637,949
Current liabilities			
Trade and other payables	21(a)	**299,020**	352,692
Bills payables	21(b)	**47,797**	80,541
Taxation payables		**78,932**	75,098
Bank borrowings — due within one year	22	**156,386**	133,468
Obligations under finance leases — due within one year	23	**—**	225
		582,135	642,024
Net current assets/(liabilities)		**76,705**	(4,075)
Total assets less current liabilities		**312,820**	280,368
Non-current liability			
Deferred taxation	24	**16,613**	15,003
		16,613	15,003
Net assets		**296,207**	265,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	25	**205,927**	102,964
Reserves	26	**96,800**	162,541
Equity attributable to owners of the Company		**302,727**	265,505
Non-controlling interests		**(6,520)**	(140)
Total equity		**296,207**	265,365

The consolidated financial statements on pages 51 to 130 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Guo Jun Hao
Director

Chen Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 26)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 26)	Special reserve HK$'000 (note 26)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 26)	Exchange reserve HK$'000	Accumulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 and 1 January 2017	102,964	539,088	470	43,095	15,003	1,156	22,036	1,893	18,345	(478,545)	265,505	(140)	265,365
Loss for the year	—	—	—	—	—	—	–	—	—	(98,458)	(98,458)	(7,925)	(106,383)
Exchange differences arising on translation	—	—	—	—	—	—	—	—	(3,379)	—	(3,379)	1,545	(1,834)
Gain on revaluation at properties	—	—	—	6,441	—	—	—	—	—	—	6,441	—	6,441
Deffered tax liabilities arising from revaluation of properties	—	—	—	(1,610)	—	—	—	—	—	—	(1,610)	—	(1,610)
Total comprehensive expense for the year	—	—	—	4,831	—	—	—	—	(3,379)	(98,458)	(97,006)	(6,380)	(103,386)
Equity-settled share-based transaction	—	—	—	—	—	—	3,476	—	—	—	3,476	—	3,476
Right issue, net	102,963	27,789	—	—	—	—	—	—	—	—	130,752	—	130,752
Subtotal	102,963	27,789	—	—	—	—	3,476	—	—	—	134,228	—	134,228
At 31 December 2017	205,927	566,877	470	47,926	15,003	1,156	25,512	1,893	14,966	(577,003)	302,727	(6,520)	296,207

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(106,383)**	(89,945)
Adjustments for:		
Depreciation of property, plant and equipment	**21,069**	24,670
Interest expenses	**38,728**	12,699
Loss on disposal/written off of property, plant and equipment	**453**	2,828
Written off/impairment loss recognised on trade and other receivables	**3,256**	17,268
Imputed interest on trade receivables with extended credit terms	**(3,089)**	(5,943)
Interest income	**(935)**	(2,173)
Amortisation of prepaid lease payments	**915**	1,666
Reversal of impairment loss previously recognised for trade receivables	**(7,468)**	(3,394)
Share based payment	**3,476**	—
Write-down of inventories	**15,323**	—
Operating cash flow before movements in working capital	**(34,655)**	(42,324)
Decrease/(increase) in inventories	**7,286**	(17,228)
(Increase)/decrease in trade and other receivables	**(79,468)**	61,273
Increase in bills receivable	**(11,512)**	(1,913)
Decrease in trade and other payables	**20,843**	16,536
Decrease in bills payable	**(34,656)**	(51,383)
Cash used in operations	**(132,162)**	(35,039)
PRC Enterprise Income Tax paid	**(36)**	(226)
NET CASH USED IN OPERATING ACTIVITIES	**(132,198)**	(35,265)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**155,670**	108,544
Interest received	**935**	2,173
Proceeds from disposal of property, plant and equipment	**642**	85
Placement of pledged bank deposits	**(100,054)**	(106,017)
Purchase of property, plant and equipment	**(2,732)**	(10,158)
Investment in an associate	**—**	(11,904)
Proceed from sale of an associate, net	**24,404**	—
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**78,865**	(17,277)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(302,963)**	(210,549)
Interest paid	**(38,728)**	(12,699)
Repayment of obligation under finance leases	**(225)**	(298)
Bank borrowings raised	**325,881**	227,699
Proceeds from issue of shares, net	**—**	44,920
Proceeds from issue of shares upon open offer, net	**—**	26,505
Proceeds from issue of shares upon rights issue, net	**130,752**	—
Repayment of other Borrowings	**(403,194)**	—
Other borrowing raise	**316,171**	109,916
NET CASH GENERATED FROM FINANCING ACTIVITIES	**27,694**	75,578
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(25,639)**	23,036
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**67,761**	43,789
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,511**	936
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR Represented by bank balances, deposits and cash	**43,633**	67,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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")

AMENDMENTS TO HKFRSS THAT ARE MANDATORY EFFECTIVE FOR THE CURRENT YEAR

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

AMENDMENTS TO HKAS 7 "DISCLOSURE INITIATIVE"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of bank borrowing, obligation under finance lease and certain other financial liabilities.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 27 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 12 "RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

ANNUAL IMPROVEMENT TO HKFRSS 2014-2016 CYCLE

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 — 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 9 "FINANCIAL INSTRUMENTS"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 9 "FINANCIAL INSTRUMENTS" (Continued)

Key requirements of HKFRS 9: (Continued)

- 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.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs, additional disclosure in respect of trade and other receivables including any significant judgements and estimation made, and enhanced disclosures about the Group's risk management activities, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for 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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "LEASES"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

HKFRS 16 "LEASES" (Continued)

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in note 31, total operating lease commitment of the Group in respect of its office and factory premises as at 31 December 2017 was amounting to approximately HK$2,291,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results at this stage but it is expect certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

AMENDMENTS TO HKAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The directors of the Company anticipate that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PREPARATION OF FINANCIAL STATEMENTS (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT IN ASSOCIATES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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.

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 2017

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 2017

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 2017

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 2017

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 2017

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 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SEGMENT REPORTING (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTY TRANSACTIONS (Continued)

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.

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 2017, the carrying amounts of property, plant and equipment are HK$174,076,000 (2016: HK$186,578,000), net of impairment losses of Nil (2015: Nil). Details are disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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 2017, the carrying amount of trade receivables is HK$425,953,000 (2016: HK$308,369,000) of which HK$119,823,000 (2016: HK$132,857,000) is trade receivables with extended credit terms. The total allowance for doubtful debts is HK$16,598,000 (2016: HK$20,810,000). Details of movements of allowance for trade receivables are disclosed in note 19.

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

As set out in note 15, properties were revalued as at 31 December 2017 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

WRITE DOWN OF INVENTORIES

The Group writes down inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, technology development of the industry, net realisable value for obsolete and slow-moving inventories that are no longer suitable for use in operation and subsequent sales or usage. Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and write-down for inventories in the period in which such estimate has changed. The carrying amount of inventories at 31 December 2017 was HK$46,982,000, net of write down of HK$15,323,000 (2016: HK$70,523,000 (net of write down of HK$Nil)).

VALUATION OF SHARE OPTIONS

As explained in note 28, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

The Binominal Option Pricing Model and Black-Scholes Option Pricing Model were applied to estimate the fair value of share options granted by the Company. These pricing models require the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. TURNOVER

	2017 HK$'000	2016 HK$'000
An analysis of the Group's turnover is as follows:		
Sales of printed circuit boards ("**PCB**")	**365,603**	349,621
Sales of light emitting diode ("**LED**") lighting	**8**	9,242
Tradings of tower and electric cable	**193,832**	36,587
	559,443	395,450

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**935**	2,173
Imputed interest on trade receivables with extended credit terms	**3,089**	5,943
Sales of scrap materials	**13,932**	10,954
Government grants (note)	**2**	356
Others	**5,018**	1,009
	22,976	20,435

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Write-down of inventories	**(15,323)**	—
Net foreign exchange gain	**26**	2,691
Impairment loss recognised on other receivables	**—**	(3,196)
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	**(3,256)**	(22)
Provision for compensation charges	**—**	(134)
Reversal of impairment loss previously recognised on trade receivables with extended credit terms	**7,468**	3,021
Loss on disposal/written off of property, plant and equipment	**(453)**	(2,828)
Others	**163**	(317)
	(11,375)	(14,462)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
— Bank and other borrowing wholly repayable within five years	**38,701**	12,668
— Obligations under finance leases	**27**	31
	38,728	12,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**36**	2,577
Hong Kong Profits Tax	**—**	—
	36	2,577

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

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong 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:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(106,347)**	(89,945)
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**(26,587)**	(22,487)
Tax effect of expenses not deductible for tax purpose	**2,022**	3,027
Tax effect of income not taxable for tax purpose	**(9)**	(27)
Tax effect of tax losses not recognised	**21,853**	19,462
Tax effect of different tax rate of subsidiaries	**2,757**	2,602
Income tax expense	**36**	2,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration (note)	**89,588**	98,735
Retirement benefit schemes contributions (note)	**9,358**	10,161
Total employee expenses	**98,946**	108,896
Auditors' remuneration:		
audit service	**1,800**	1,800
non-audit service		
— Investment circular report	**200**	130
— Interim review	**300**	300
Cost of inventories recognised as an expense	**551,924**	391,564
Depreciation of property, plant and equipment	**21,069**	24,670
Research and development costs recognised as an expense	**1,378**	1,836
Amortisation of prepaid lease payments	**915**	1,666

Note: Employee expenses and retirement benefit schemes contributions were included the direct and indirect labour cost and share base payment expenses, 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:

2017

	Guo Jun Hao (note o) HK$'000	Wang Shijin HK$'000	Chen Yongsen HK$'000	Chen Hua (note g) HK$'000	Wong Wing Choi (note h) HK$'000	Anson Poon Wai Kong HK$'000	Li Hongxiang (note j) HK$'000	Xu Ming (note k) HK$'000	Wong Kwok On (note l) HK$'000	Cheung Wai Ka (note m) HK$'000	Chen Lei (note n) HK$'000	Total HK$'000
Fee	—	—	—	—	—	180	240	360	120	240	232	1,372
Salaries and other benefits	174	858	2,400	360	180	—	—	—	—	—	—	3,972
Share-based payments	39	385	385	39	—	39	39	193	39	39	39	1,236
Performance related incentive payment (Note a)	—	—	—	—	—	—	—	—	—	—	—	—
Retirement benefit scheme contributions	9	21	18	18	5	—	—	18	—	—	—	89
Total emoluments	222	1,264	2,803	417	185	219	279	571	159	279	271	6,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

2016

	Zhu Jianqin	Shi Qiu Yu	Chen Zheng Xue	Wang Shijin	Chen Yongsen	Chen Hua	Wong Wing Choi	Anson Poon Wai Kong	Zhang Xiaofei	Ye Ji Li	Poon Chi Choy	Li Hongxiang	Xu Ming	Wong Kwok On	Cheung Wai Ka	Chen Lei	Total
	(note f)	(note e)	(note d)			(note g)	(note h)		(note b)	(note i)	(note c)	(note j)	(note k)	(note l)	(note m)	(note p)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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:

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

(b) Mr. Zhang Xiaofei was appointed as an independent non-executive director on 16 November 2015 and resigned on 29 June 2017.

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

(d) 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.

(e) 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.

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

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

(h) Mr. Wong Wing Choi was appointed as an executive director on 29 February 2016 and resigned on 3 April 2017.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

(n) Ms. Chen Lei was appointed as an independent non-executive director on 14 September 2016 and resigned on 28 December 2017.

(o) Ms. Guo Jun Hao was appointed as an executive director on 10 April 2017.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, two (2016: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2016: three) individuals were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**2,651**	2,779
Performance related incentive payment	**—**	—
Retirement benefit schemes contributions	**6**	76
	2,657	2,855

	2017	2016
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**—**	—
Above HK$1,500,001	**1**	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. EMPLOYEES' EMOLUMENTS (Continued)

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

	2017	2016
Nil to HK$1,000,000	**1**	1
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.

13. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

14. LOSS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year	**(98,458)**	(89,036)

	2017 '000	2016 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,399,324**	1,068,009

Note: The weighted average number of ordinary shares for the year ended 31 December 2016 has been adjusted and restated for the right issue completed during the year ended 31 December 2017.

The basic and diluted loss per share are the same for the years ended 31 December 2017 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. 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 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)
Addition	9,091	—	324	552	—	4	187	10,158
Disposal/written off	—	—	(12,618)	—	—	—	(887)	(13,505)
Deficit on revaluation	—	(11,056)	—	—	—	—	—	(11,056)
At 31 December 2016 and 1 January 2017	9,351	129,778	379,031	2,834	6,600	8,642	95,872	632,108
Exchange alignment	563	—	182	(40)	98	(38)	31	796
Addition	—	—	2,055	56	272	5	344	2,732
Disposal/written off	—	—	(9,294)	(420)	(34)	(505)	—	(10,253)
Deficit on revaluation	—	2,519	—	—	—	—	—	2,519
As 31 December 2017	9,914	132,297	371,974	2,430	6,936	8,104	96,247	627,902
Comprising:								
At cost	9,914	—	371,974	2,430	6,936	8,104	96,247	495,605
At valuation —2017	—	132,297	—	—	—	—	—	132,297
	9,914	132,297	371,974	2,430	6,936	8,104	96,247	627,902
DEPRECIATION AND IMPAIRMENT								
At 1 January 2016	—	—	342,879	1,918	4,855	8,121	78,226	435,999
Exchange alignment	—	—	(318)	(12)	(10)	(17)	(50)	(407)
Provide 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 and 1 January 2017	—	—	346,937	1,989	5,585	8,328	82,691	445,530
Exchange alignment	—	—	267	(16)	56	(29)	29	307
Provide for the year	—	3,922	11,478	145	636	120	4,768	21,069
Elimination on revaluation	—	(3,922)	—	—	—	—	—	(3,922)
Disposal/written off	—	—	(9,081)	(141)	317	(405)	152	(9,158)
As 31 December 2017	—	—	349,601	1,977	6,594	8,014	87,640	453,826
CARRY VALUES								
At 31 December 2017	9,914	132,297	22,373	453	342	90	8,607	174,076
At 31 December 2016	9,351	129,778	32,094	845	1,015	314	13,181	186,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. 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 2017. 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 2017 and 2016 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

	2017 **HK$'000**	2016 HK$'000
As at 1 January	**129,778**	140,834
Deficit on revaluation	**2,519**	(11,056)
As at 31 December	**132,297**	129,778

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$85,992,000 (2016: HK$88,347,000).

As at 31 December 2017, the carrying values of the Group's and motor vehicles include amounts of HK$136,000 (2016: HK$476,000), in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$132,297,000 (2016: HK$129,778,000) and HK$7,376,000 (2016: HK$Nil), respectively, to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	Carrying value of investment properties 2017 HK$'000	2016 HK$'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in the PRC	**132,297**	129,778	Level 3	Direct comparison method — based on price per square foot, using market observable comparable prices of similar properties ranging from HK$2,350 to HK$3,200 (2016: HK$2,300 to HK$3,075) 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$'000**	**Fair value as at 31 December 2017** **HK$'000**
Buildings in the PRC	**132,297**	**132,297**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2017 HK$'000	2016 HK$'000
Land use rights in the PRC under medium-term leases	**32,260**	32,378
Analysis for reporting purposes as:		
Non-current assets	**31,326**	31,463
Current assets	**934**	915
	32,260	32,378

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 2017, the Group has pledged the land use rights of carrying amount of HK$18,228,000 (2016: HK$18,843,000) to secure general banking facilities granted to the Group.

17. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Cost of unlisted investments in associates	**—**	12,500
Increase of investments in associate	**—**	11,904
Less: impairment loss of interest in an associate	**—**	—
	—	24,404

As at 31 December 2016, the net asset value of the associates of Group were approximately HK$29,244,000, which mainly comprise of cash and bank balances. The associates were inactive during the year ended 2016. During the year ended 2017, the Group disposed the interest in associate of 臨湘市金泰礦業有限公司. The proceed from disposal of the associate is HK$24,404,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. INTERESTS IN ASSOCIATES (Continued)

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 2017	2016	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%	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)). After the injection, the proportion of ownership interest held by the Group increase from 33.3% to 41.7%.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**21,741**	34,978
Work in progress	**9,153**	10,494
Finished goods	**16,088**	25,051
	46,982	70,523

During the year ended 31 December 2017, obsolete inventories amounting to approximately HK$15,323,000 were written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables with normal credit terms	310,859	176,985
Less: Allowance for doubtful debts	(4,729)	(1,473)
	306,130	175,512
Trade receivables with extended credit terms	131,692	152,194
Less: Allowance for doubtful debts	(11,869)	(19,337)
	119,823	132,857
Total trade receivables, net of allowance for doubtful debts	425,953	308,369
Less: Non-current portion of trade receivables with extended credit terms	(30,713)	(41,998)
Current portion of trade receivables	395,240	266,371

	2017 HK$'000	2016 HK$'000
Advances to suppliers	2,899	289
Value-added tax recoverable	13,950	13,214
	16,849	13,503
Other receivables (note iii and iv)	116,041	135,297
	132,890	148,800
Trade and other receivables shown under current assets	528,130	415,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

(a) TRADE AND OTHER RECEIVABLES (Continued)

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**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
0-30 days	**—**	—	**36,833**	68,418	**36,833**	68,418
31-60 days	**—**	—	**56,423**	41,191	**56,423**	41,191
61-90 days	**—**	—	**42,492**	26,341	**42,492**	26,341
91-180 days	**—**	—	**73,356**	31,586	**73,356**	31,586
Over 180 days	**119,823**	132,857	**97,026**	7,976	**216,849**	140,833
	119,823	132,857	**306,130**	175,512	**425,953**	308,369

Movement in the allowance of doubtful debts for normal credit terms

	2017	2016
	HK$'000	HK$'000
Balance at beginning of the year	**1,473**	1,451
Impairment loss recognised on trade receivables	**3,256**	22
Balance at end of the year	**4,729**	1,473

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,729,000 (2016: HK$1,473,000). The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

(a) TRADE AND OTHER RECEIVABLES (Continued)

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 86% (2016: 81%) 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$42,759,000 (2016: HK$33,924,000) 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

	2017 HK$'000	2016 HK$'000
Overdue by:		
0–30 days	**—**	13,026
31–60 days	**668**	6,374
61–90 days	**8,674**	5,723
91–180 days	**24,766**	6,348
Over 180 days	**8,651**	2,453
Total	**42,759**	33,924

The Group has impaired 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.

ii. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2017, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$119,823,000 (2016: HK$132,857,000) 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:

	2017 HK$'000	2016 HK$'000
Within one year	**89,110**	74,759
In the second to fifth year inclusive	**30,713**	58,098
	119,823	132,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

(a) TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

ii. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS (Continued)

Included in the trade receivables with extended credit terms are balances of HK$73,417,000 (2016: HK$118,177,000) 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 31% (2016: 40%) 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$83,166,000 (2016: HK$79,418,000) 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

	2017 **HK$'000**	2016 HK$'000
Overdue by:		
0–30 days	**19,818**	10,038
31–60 days	**—**	—
61–90 days	**—**	4,331
91–180 days	**200**	2,258
Over 180 days	**63,148**	62,791
Total	**83,166**	79,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. 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

	2017 **HK$'000**	2016 HK$'000
Balance at beginning of the year	**19,337**	8,308
Impairment loss recognised on trade receivables	**—**	14,050
Impairment loss reversed	**(7,468)**	(3,021)
Balance at end of the year	**11,869**	19,337

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$11,869,000 (2016: HK$19,337,000). 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$1,978,400 licensing income receivable (2016: HK$10,019,000) 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$13,253,000 included in the Group's other receivables as at 31 December 2017 (2016: HK$25,261,000). 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 2017, included in the Group's other receivables amounts of approximate HK$1,039,000 (2016: HK$866,000) 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 HK$3,500,000 was included in other receivables as at 31 December 2016. Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015. The amounts were settled during the year ended 31 December 2017.

(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, included in the other receivable as at 31 December 2016. Mr. Chen Jing was a Director of the Company and resigned on 5 June 2015. The amounts were settled during the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

(a) TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

iv MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**3,196**	—
Amounts written off as uncollectible trade receivable	**—**	3,196
Balance at end of the year	**3,196**	3,196

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$3,196,000 (2016: HK$3,196,000) receivable from debtors which have either been placed under liquidation or in severe difficulties.

(b) BILLS RECEIVABLES

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

	2017 HK$'000	2016 HK$'000
0-30 days	**—**	109
31-60 days	**—**	454
Over 60 days	**16,708**	3,965
	16,708	4,528

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:

	2017 HK$'000	2016 HK$'000
United States dollars ("**US$**")	**55,203**	81,665
Renminbi ("**RMB**")	**150,254**	114,384
	205,457	196,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

As at 31 December 2017, the pledged bank deposits comprise deposits for the issue of bills payable of HK$22,453,000 (2016: HK$79,051,000). 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 1.35% (2016: 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:

	2017 **HK$'000**	2016 HK$'000
US$	**11,489**	12,727
RMB	**41,858**	130,153
HK$	**12,739**	300
	66,086	143,180

Included in the pledged bank deposits and bank balances, deposits and cash were amounts in RMB of approximately HK$41,858,000 (2016: HK$130,153,000) which were not freely convertible into other currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. 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.

	2017 HK$'000	2016 HK$'000
0-30 days	**29,728**	25,889
31-60 days	**23,109**	28,524
61-90 days	**18,177**	13,211
91-180 days	**18,292**	33,287
Over 180 days	**45,395**	40,575
Total trade payables	**134,701**	141,486
Other payables (note)	**144,079**	190,849
Accrued salaries and other accrued charges	**20,240**	20,357
	299,020	352,692

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 redit timeframe.

Note: At the end of the reporting period, including in the Group's other payables is an amount of HK$22,892,000 (2016: HK$109,915,000) loan from other borrowers at interest rate of 18% (2016: range from 5% to 24%) and repaid in accordance with the terms of the loan agreements. During the year ended 31 December 2017, HK$21,305,000 (2016: HK$3,126,000) interests were paid and recognised in the finance cost of consolidated statements of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. TRADE, BILLS AND OTHER PAYABLES (Continued)

(b) BILLS PAYABLES

The aged analysis of bills payable based on issue date of the bill at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
0-30 days	**—**	8,463
31-60 days	**—**	13,006
61-90 days	**4,563**	30,131
91-180 days	**33,754**	28,941
Over 180 days	**9,480**	—
	47,797	80,541

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:

	2017 **HK$'000**	2016 HK$'000
US$	**—**	7,066
RMB	**47,797**	302,799
	47,797	309,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans	**156,386**	79,277
Trust receipt loans	**—**	54,191
	156,386	133,468
Analysed as:		
Secured – Fixed rate borrowings	**156,386**	133,468
Unsecured	**—**	—
	156,386	133,468
Carrying amounts repayable within one year based on scheduled payment dates set out in the loan agreements	**156,386**	133,468
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)	**—**	—
	156,386	133,468
Less: Amounts due within one year shown under current liabilities	**(156,386)**	(133,468)
Amounts shown under non-current liabilities	**—**	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22. 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:

	2017 HK$'000	2016 HK$'000
RMB	**156,386**	133,468
	156,386	133,468

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

	2017 HK$'000	2016 HK$'000
Effective interest rates:		
Fixed-rate borrowings	**3.15 to 5.685%**	4.35 to 4.79%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		PV of minimum lease payment	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**—**	252	**—**	225
In the second year	**—**	—	**—**	—
In the third year	**—**	—	**—**	—
	—	252	**—**	225
Less: Future finance charges	**—**	(27)	**—**	—
Present value of lease obligations	**—**	225	**—**	225
Less: Amount due within one year shown under current liabilities			**—**	(225)
Amount due after one year shown under non-current liabilities			**—**	—

During the year ended 31 December 2016, 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% per annum and the average effective interest rate was 8.29% 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 2017

24. 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:

	2017 **HK$'000**	2016 HK$'000
Deferred tax liabilities	**(16,613)**	(15,003)

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 2016	(16,332)	(400)	(16,732)
Charge to other comprehensive income	1,729	—	1,729
At 31 December 2016 and 1 January 2017	(14,603)	(400)	(15,003)
Charge to other Comprehensive income	(1,610)	—	(1,610)
At 31 December 2017	(16,213)	(400)	(16,613)

At 31 December 2017, the Group has unused tax losses of HK$123,434,000 (2016: HK$120,526,000) 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$390,287,000 (2016: HK$378,723,000). 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$379,723,000 (2016: HK$368,159,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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For the year ended 31 December 2017

25. SHARE CAPITAL

	Number of shares		Amount	
	2017	2016	**2017**	2016
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January	**4,000,000**	2,000,000	**400,000**	200,000
Increased in authorised share capital (note (i))	**—**	2,000,000	**—**	200,000
At 31 December	**4,000,000**	4,000,000	**400,000**	400,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**1,029,636**	530,740	**102,964**	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
Issue of right share (note (v))	**1,029,635**	—	**102,963**	—
At 31 December	**2,059,271**	1,029,636	**205,927**	102,964

(i) Pursuant to ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 19 August 2016, the authorised share capital of the Company is 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 (the "**Open Offer**"). The net proceeds raised from the Open Offer will be used 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.

(v) On 20 December 2017, the Company allotted and issued a total of 1,029,635,216 rights shares at the subscription price of HK$0.13 per rights share on the basis of one rights share for every one existing share. The net proceeds intended to be used for partial repayment of the Group's other payables and for partial settlement of the account payable to suppliers which are immediately due or overdue. Detail of which were disclosed in the Company's announcements dated 27 November 2017 and 20 December 2017.

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26. 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 2017 of approximately HK$24,248,000 (2016: HK$17,306,000).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Bill payable	Other borrowings	Obligation under finance lease	Total
At 1 January 2017	133,468	80,541	109,915	225	324,149
Accrued interest	11,278	6,118	21,305	27	38,728
Interest paid	(11,278)	(6,118)	(21,305)	(27)	(38,728)
Financing cash inflows	325,881	122,365	316,171	—	764,417
Financing cash outflows	(302,963)	(155,109)	(403,194)	(225)	(860,170)
At 31 December 2017	156,386	47,797	22,892	—	227,075

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28. 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 expired 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.

As disclosed by the Company on 22 July 2016 and 20 December 2017, as a result of the completion of the open offer and rights issue on 25 July 2016 and 20 December 2017, respectively, 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 30,992,575 Shares, representing 1.51% 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.

On 6 December 2017, the Company granted 90,000,000 share options under the New Share Option Scheme to certain eligible participants (as defined under the New Share Option Scheme) at an exercise price of HK$0.178 per share.

As at the date of this report, 225,766 share options were available for issue under the New Share Option Scheme, representing approximately 0.01% of the issued share capital of the Company.

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For the year ended 31 December 2017

28. SHARE OPTION SCHEME (Continued)

		Exercised price per share before 25 July 2016 HK$'000	At 1 January 2016 '000	Granted during the period '000	Exercised during the period '000	Laps/ Forfeited during the period '000	Exercised price since 25 July 2016	Out-standing on 25 July 2016 000	Laps/ Forfeited during the period '000	Re-classification during the period '000	At 31 December 2016 000	Granted during the period '000	Re-classification during the period '000	Exercised during the period '000	Laps/ Forfeited during the period '000	Exercised price since 20 December 2017	Outstanding on 20 December 2017 '000	Laps/ Forfeited since 20 December 2017 '000	Re-classification '000	at 31 December 2017 '000	Re-classification '000	at 31 December 2017 '000	Exercise period
Directors	2 September 2011	2.11	2,300	—	—	—	1.747	2,778	—	(2,778)	—	—	—	—	—	—	—	—	—	—	—	—	(Note 3)
	22 October 2014	1.25	6,163	—	—	—	1.035	7,443	(5,873)	(1,570)	—	—	—	—	—	0.854	—	—	—	—	—	—	(Note 4)
	6 December 2017	—	—	—	—	—	—	—	—	—	—	32,000	—	—	—	0.178	32,000	—	(32,000)	—	—	—	(Note 1)
Subtotal			8,463	—	—	—		10,221	(5,873)	(4,348)	—	32,000	—	—	—		32,000	—	(32,000)	—	—	—	
Counsultants	29 November 2010	3.39	1,300	—	—	—	2.807	1,570	—	—	1,570	—	—	—	—	2.316	1,903	—	—	—	—	1,903	(Note 2)
	22 October 2014	1.25	10,841	—	—	—	1.035	13,093	—	—	13,093	—	—	—	—	0.854	15,870	—	—	—	—	15,870	(Note 4)
	6 December 2017	—	—	—	—	—	—	—	—	—	—	33,000	—	—	—	0.178	33,000	—	—	—	—	33,000	(Note 1)
Subtotal			12,141	—	—	—		14,663	—	—	14,663	33,000	—	—	—		50,773	—	—	—	—	50,773	
Employees	2 September 2011	2.11	2,000	—	—	—	1.747	2,415	—	2,778	5,193	—	—	—	—	1.44	6,295	—	—	—	—	6,295	(Note 3)
	22 October 2014	1.25	3,587	—	—	(108)	1.035	4,203	(60)	1,570	5,713	—	—	—	—	0.854	6,924	—	—	—	—	6,924	(Note 2)
	6 December 2017	—	—	—	—	—	—	—	—	—	—	25,000	—	—	—	0.178	25,000	—	32,000	—	—	57,000	(Note 1)
Subtotal			5,587	—	—	(108)		6,618	(60)	4,348	10,906	25,000	—	—	—		38,219	—	32,000	—	—	70,219	
Total			26,191					31,502			25,569	90,000					120,992					120,992	
Exercisable at the end of the year			26,191								25,569											120,992	
Weighted average exercise price		1.37						1.24									0.40						

Note 1: Options are exercisable subject to (i) up to 50% of the options are exercisable from 1 January 2018 to 31 December 2019, and (ii) the remaining options are exercisable from 1 January 2019 to 31 December 2019.

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:

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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 22, 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.

30. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**605,363**	595,006
Financial liabilities		
Amortised cost	**482,954**	546,560

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30. FINANCIAL INSTRUMENTS (Continued)

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

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:

	2017 **HK$'000**	2016 HK$'000
Assets		
US$	**55,203**	94,392
RMB	**260,233**	218,340
HK$	**30,194**	39,467
Liabilities		
US$	**4,945**	7,066
RMB	**367,577**	436,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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% (2016: 2%) against RMB, the Group's loss for the year ended 31 December 2017 would decrease by HK$1,610,000 (2016: increase by HK$3,272,000). If the HK$ strengthened by 2% (2016: 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 22 and 23 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 20 for details) and its variable-rate bank borrowings (see note 22 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 2017

30. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2017, 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 69% (2016: 49%) 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 57% (2016: 24%). 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 69% (2016: 68%) 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 24% (2016: 25%). 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 61.3% (2016: 89.0%) 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 2017

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 assets of HK$76,705,000 as at 31 December 2017 (2016: net current liabilities of HK$4,075,000).

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	Within 1 year	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017								
Non-derivative financial liabilities								
Trade and other payables	—	—	278,771	—	—	—	278,771	278,771
Bills payable	—	—	47,797	—	—	—	47,797	47,797
Bank and other borrowings								
— fixed rate	5.03	—	161,425	—	—	—	161,425	156,386
		—	487,993	—	—	—	487,993	482,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Weighted average effective interest rate	On demand	Within 1 year	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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	—	—	—	552,239	546,560

(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 2017

31. OPERATING LEASES

OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2017 HK$'000	2016 HK$'000
Premises	**2,150**	2,845

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:

	2017 HK$'000	2016 HK$'000
Within one year	**1,498**	1,619
In the second to fifth year inclusive	**793**	1,763
	2,291	3,382

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 2017, the Group did not earn any property rental income (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32. CAPITAL COMMITMENT

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

	2017 **HK$'000**	2016 HK$'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
	—	6,370

33. PLEDGED OF ASSETS

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

	2017 **HK$'000**	2016 HK$'000
Buildings	**132,297**	129,778
Plant and machinery	**7,376**	—
Pledged bank deposits	**22,453**	79,051
Prepaid lease payments	**18,228**	18,843
Bills receivables	**—**	1,544
	180,354	229,216

In addition, as at 31 December 2017, the carrying amounts of the Group's motor vehicles include amounts of (2016: HK$476,000), in respect of assets held under finance leases which are secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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

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:

	2017 **HK$'000**	2016 HK$'000
Short-term benefits	**5,605**	6,631
Post-employment benefits	**92**	110
Share-based payments	**1,236**	—
	6,933	6,741

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35. MATERIAL RELATED PARTY DISCLOSURES

(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 19(a)(iii).

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

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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.

	2017 HK$'000	2016 HK$'000
TURNOVER — external sales		
Single-sided PCB	**107,433**	94,526
Double-sided PCB	**99,095**	141,909
Multi-layered PCB	**159,075**	113,186
LED lighting	**8**	9,242
Tradings of tower and electric cable	**193,832**	36,587
Total	**559,443**	395,450
RESULTS		
Segment losses		
— Single-sided PCB	**(15,900)**	(16,586)
— Double-sided PCB	**(14,666)**	(24,900)
— Multi-layered PCB	**(23,544)**	(19,860)
— LED lighting	**(19,297)**	(22,402)
— Tradings of tower and electric cable	**8,691**	8,943
	(64,716)	(74,805)
Other income	**26**	986
Central administrative costs	**(2,929)**	(3,427)
Finance costs	**(38,728)**	(12,699)
Loss before tax	**(106,347)**	(89,945)

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 2017

36. SEGMENTAL INFORMATION (Continued)

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment results:

	2017 HK$'000	2016 HK$'000
Depreciation and amortisation		
— Single-sided PCB	**5,929**	6,125
— Double-sided PCB	**5,469**	9,196
— Multi-layered PCB	**8,779**	7,334
— LED lighting	**457**	968
— Tradings of tower and electric cable	**—**	—
	20,634	23,623
— unallocated	**1,350**	1,047
	21,984	24,670
Net (amount recovered)/impairment loss recognised in respect of trade and other receivables		
— Single-sided PCB	**—**	—
— Double-sided PCB	**—**	—
— Multi-layered PCB	**3,256**	(351)
— LED lighting	**(7,468)**	14,225
— Tradings of tower and electric cable	**—**	—
	(4,212)	13,874
Write-down of inventories		
— Single-sided PCB	**—**	—
— Double-sided PCB	**—**	—
— Multi-layered PCB	**1,611**	—
— LED lighting	**13,712**	—
— Tradings of tower and electric cable	**—**	—
	15,323	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia:				
HK	**62,373**	70,790	**248**	753
Taiwan	**9,399**	14,940	**—**	—
The PRC (other than HK and Taiwan)	**426,420**	243,157	**205,154**	217,288
Other Asian countries	**1,793**	11,888	**—**	—
Europe:				
Austria	**16**	11,016	**—**	—
Holland	**—**	155	**—**	—
Hungary	**7,907**	9,916	**—**	—
Switzerland	**1,361**	1,664	**—**	—
Turkey	**22,547**	16,631	**—**	—
France	**4,101**	—	**—**	—
Germany	**5,528**	—	**—**	—
Other European countries	**2,420**	1,579	**—**	—
Others	**15,578**	13,714	**—**	—
	559,443	395,450	**205,402**	218,041

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:

	2017	2016
	HK$'000	HK$'000
Customer A	**—**	53,274
Customer B	**190,721**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2017	2016
	HK$'000	HK$'000
ASSETS		
Investments in subsidiaries	**128,094**	128,094
Amounts due from subsidiaries (note)	**532,930**	519,910
Other receivables	**6,011**	32,376
Bank balances and cash	**10,057**	3,336
	677,092	683,716
LIABILITIES		
Amounts due to subsidiaries	**412,169**	533,591
Other payables	**6,873**	5,456
	419,042	539,047
Net assets	**258,050**	144,669
CAPITAL AND RESERVES		
Share capital	**205,927**	102,964
Reserves	**52,123**	41,705
	258,050	144,669

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Guo Jun Hao	**Chen Hua**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY (Continued)

Note:

Reserves of the Company:

	share premium	Capital redemption	Treasury share	Share option reverse	Capital contribution reserve	contributed surplus	Accumulated (losses)/ profit	Total reserves
At 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	—
	539,088	470	—	22,036	1,893	145,058	(666,840)	41,705
At 31 December 2016 and 1 January 2017	539,088	470	—	22,036	1,893	145,058	(666,840)	41,705
Loss and total comprehensive expense of the year	—	—	—	—	—	—	(20,847)	(20,847)
Equity-Settled Share-based transaction	—	—	—	3,476	—	—	—	3,476
Right issue net	27,789	—	—	—	—	—	—	27,789
At 31 December 2017	566,877	470	—	25,512	1,893	145,058	(687,687)	52,123

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) 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 of 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. 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 2016 and 14 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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		
			2017	2016	2017	2016	
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%**	51%	Trading of tower and electric cable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017 and 2016, the Group had capital commitment in respect of capital not yet injected into a PRC subsidiary amounted to HK$152,667,893.

(iv) As at 31 December 2017, 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.

	2017 HK$'000	2016 HK$'000
Loss allocated to non-controlling interest of TC Orient (SZ)	**6,443**	5,929
Loss/(profit) allocated to non-controlling interest of RS	**1,462**	(2,861)
Individually immaterial subsidiaries	**20**	418
	7,925	3,486
Accumulated non-controlling interests TC Orient (SZ)	**(1,564)**	4,879
Accumulated non-controlling interests of RS	**1,399**	2,861
Individually immaterial subsidiaries	**(6,355)**	(7,880)
	(6,520)	(140)

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 2017

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(a) TC ORIENT (SZ)

	2017 **HK$'000**	2016 HK$'000
Current assets	**267,468**	267,272
Non-current assets	**99,657**	112,050
Current liabilities	**(361,827)**	(349,303)
Total equity	**5,298**	30,019
Revenue	**8**	9,242
Expenses	**(21,486)**	(10,520)
Loss for the year	**(21,478)**	(19,762)
Other comprehensive income/(loss) for the year	**—**	1,037
Total comprehensive loss for the year	**(21,478)**	(18,725)
Net cash inflow/(outflow) from operating activities	**30,733**	24,860
Net cash inflow from investing activities	**—**	125
Net cash outflow from financing activities	**(37,947)**	(16,492)
Net cash (outflow)/inflow	**(7,214)**	8,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(b) 吳川榮森貿易有限公司 ("RS")

	2017 HK$'000	2016 HK$'000
Current assets	**56,968**	68,735
Non-current assets	**4**	—
Current liabilities	**(53,345)**	(62,329)
Total equity	**3,627**	(6,406)
Revenue	**190,721**	36,587
Expenses	**(193,705)**	(42,425)
Loss for the year	**(2,984)**	(5,838)
Other comprehensive loss for the year	**—**	27
Total comprehensive loss for the year	**(2,984)**	(5,811)
Net cash outflow from operating activities	**(102,327)**	(21,366)
Net cash inflow from investing activities	**(4)**	7
Net cash inflow from financing activities	**93,062**	34,851
Net cash inflow	**(9,269)**	13,492

FINANCIAL SUMMARY

For the year ended 31 December 2017

RESULTS

	Year ended 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Turnover	676,207	705,921	533,608	395,450	**559,443**
Loss for the year	(316,588)	(116,419)	(84,431)	(92,522)	**(98,458)**

ASSETS AND LIABILITIES

	As at 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	1,089,863	1,141,123	980,210	922,392	**894,955**
Total liabilities	(684,385)	(759,444)	(694,715)	(657,027)	**(598,748)**
Total equity	405,478	381,679	285,495	265,365	**296,207**
Equity attributable to owners of the Company	392,601	373,212	280,572	265,505	**302,727**
Non-controlling interests	12,877	8,467	4,923	(140)	**(6,520)**
	405,478	381,679	285,495	265,365	**296,207**