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
2018

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yongsen *(Chairman)*
(resigned on 20 April 2018)
Mr. Wang Shi Jin *(Chief Executive Officer)*
(resigned on 5 June 2018)
Mr. Chen Hua
Mr. Xu Ming
Mr. Guo Jun Hao
Mr. Zeng Yongguang *(appointed on 27 March 2018)*
Mr. Mai Huazhi *(appointed on 28 May 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong
(retired at AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(appointed on 6 June 2018)

AUDIT COMMITTEE

Mr. Anson Poon Wai Kong *(chairman of committee until his retirement on 6 June 2018)*
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member and elected as chairman on 6 June 2018)*
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung

REMUNERATION COMMITTEE

Mr. Anson Poon Wai Kong *(chairman of committee until his retirement on 6 June 2018)*
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member and elected as chairman on 6 June 2018)*
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung

NOMINATION COMMITTEE

Mr. Chen Yongsen *(chairman of the committee until his resignation on 20 April 2018)*
Mr. Anson Poon Wai Kong *(ceased to be member on 6 June 2018)*
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
(appointed as member on 6 June 2018)

COMPLIANCE COMMITTEE

Mr. Wang Shi Jin *(chairman of committee until his resignation on 5 June 2018)*
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member and elected as chairman on 6 June 2018)*
Mr. Anson Poon Wai Kong
(ceased to be member on 6 June 2018)
Mr. Li Hongxiang
Mr. Bonathan Wai Ka Cheung

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 2018 (the "**Year**").

For the year of 2018, the Company's PCB business continued to shrink due to lack of capital to upgrade the Group's equipment and machinery in principal operational areas. The new industry standard of robotic automation and artificial intelligence call for more capital investment, and industry players who lack the capital to keep up with the industry standard will find it difficult to obtain orders from customers. The Group has taken various measures to overcome these challenges. On one hand, the Group has taken various cost-savings and quality improvement measures. The Group also adopted strategic pricing policy and proactive marketing approach to attract more 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.

Sincerely yours,

Zeng Yongguang
Executive 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:

(i) Under Code Provision A.2.1, the roles of Chairman and chief executive officer ("**CEO**") should be separated and not be performed by the same individual. Following the resignation of Mr. Chen Yongsen as the Chairman of the Company with effect from 20 April 2018 and the resignation of Mr. Wang Shi Jin as the Company's CEO with effect from 5 June 2018, the positions of chairman and CEO are currently vacant. The Company is identifying suitable candidates to fill the vacancies.

(ii) Under Code Provision A.6.7, independent non-executive directors should attend the annual general meeting of the Company. Mr. Anson Poon Wai Kong, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung did not attend the annual general meeting of the Company held on 6 June 2018 due to other commitments.

(iii) 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 2018.

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(continued)*

THE BOARD *(continued)*

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 15 to 16 of the Annual Report.

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

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

The Company has held 10 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)*	0/2
Mr. Wang Shi Jin *(Chief Executive Officer) (resigned on 5 June 2018)*	3/5
Mr. Chen Hua	10/10
Mr. Xu Ming	9/10
Mr. Guo Jun Hao	10/10
Mr. Zeng Yongguang *(appointed on 27 March 2018)*	9/9
Mr. Mai Huazhi *(appointed on 28 May 2018)*	6/6
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong *(retired at AGM on 6 June 2018)*	1/5
Mr. Li Hongxiang	9/10
Mr. Wong Kwok On	10/10
Mr. Bonathan Wai Ka Cheung	9/10
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed on 6 June 2018)*	4/4

The Company held the 2018 Annual General Meeting on 6 June 2018.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(continued)*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since 16 November 2015, Mr. Chen Yongsen was 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 was the CEO of the Company. Mr. Wang resigned as an executive Director and the CEO on 5 June 2018.

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) (resigned on 5 June 2018)*	B
Mr. Chen Hua	B
Mr. Xu Ming	B
Mr. Guo Jun Hao	B
Mr. Zeng Yongguang *(appointed on 27 March 2018)*	B
Mr. Mai Huazhi *(appointed on 28 May 2018)*	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Anson Poon Wai Kong *(retired at AGM on 6 June 2018)*	A
Mr. Li Hongxiang	A, B
Mr. Wong Kwok On	A
Mr. Bonathan Wai Ka Cheung	B
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed on 6 June 2018)*	A, 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 2018 and the date of this Annual Report, the Remuneration Committee of the Company ("**RC**") comprised of three directors, namely, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam), all of whom being independent non-executive Directors.

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 1 meeting. The attendance of each member is set out as follows:

Name of members	Number of attendance
Mr. Anson Poon Wai Kong *(chairman of committee until his retirement on 6 June 2018)*	1/1
Mr. Li Hongxiang	1/1
Mr. Bonathan Wai Ka Cheung	1/1
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed on 6 June 2018)*	0/0

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:

	2018 No of persons
Emoluments (including director's fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD6,000,000–HKD7,000,000	0
HKD5,000,000–HKD6,000,000	0
HKD4,000,000–HKD5,000,000	0
HKD3,000,000–HKD4,000,000	0
HKD2,000,000–HKD3,000,000	0
HKD1,000,000–HKD2,000,000	1
HKD50,000–HKD1,000,000	11

NOMINATION COMMITTEE

As at 31 December 2018 and as at the date of this Annual Report, the Nomination Committee of the Company ("**NC**") comprised of three directors, namely, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam). All three members of NC are independent non-executive directors. Mr. Chen Yongsen was the chairman of the NC prior to his resignation on 20 April 2018.

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(continued)*

The Company has a nomination policy of having a Board with a diversity of skills and experience. The selection and proposed appointment of Directors are submitted to the NC for consideration prior to Board approval, and the re-election of Directors is conducted in accordance with the articles of association of the Company. The criteria of assessing a candidate include his/her ability to devote sufficient time and attention to participate in the affairs of the Company including the attendance of Board meetings and serving on committees, to bring business experience to the Board and to contribute to the Board diversity. If the candidate is proposed to be appointed as an INED, his/her independence shall be assessed in accordance with the requirements under the Listing Rules. The totality of the candidate's education, qualifications and experience shall be evaluated in assessing his/her suitability. 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 until his resignation on 20 April 2018)*	0/1
Mr. Anson Poon Wai Kong *(retired at AGM on 6 June 2018)*	1/2
Mr. Li Hongxiang	2/2
Mr. Bonathan Wai Ka Cheung	2/2
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member on 6 June 2018)*	0/0

COMPLIANCE COMMITTEE

As at 31 December 2018 and the date of this Annual Report, the Compliance Committee of the Company ("**CC**") comprised of three directors, namely, Mr. Li Hongxiang, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam). All three CC members are independent non-executive Directors and Dr. Loke Yu (alias Loke Hoi Lam) is the Chairman of CC. As at 31 December 2017, Mr. Wang Shi Jin was the chairman of the CC prior to his resignation on 5 June 2018.

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 until his resignation on 5 June 2018)*	0/0
Mr. Anson Poon Wai Kong *(ceased to be member on 6 June 2018)*	0/0
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member and elected as chairman on 6 June 2018)*	0/0
Mr. Li Hongxiang	0/0
Mr. Bonathan Wai Ka Cheung	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. The Group incurred a loss of approximately HK$165,597,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$39,131,000. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Save for disclosed above, for the purpose of the Company's financial year ended 31 December 2018, the Board was not aware of any other events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

In the light of the various measures or arrangements implemented after the end of reporting period to improve the working capital and liquidity and cash flow position of the Group together with the expected results of the other measures, including (a) the raising of net proceeds of approximately HK$45,100,000 from the completion of the share subscription on 21 February 2019 pursuant to the subscription agreements entered into between the Company and the subscribers dated 17 January 2019; and (b) the ongoing negotiation between the Group and its bankers with the view to securing necessary facilities to meet the Group's working capital and financial requirements, the Company is of the view that it will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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.

On 5 November 2015, the Board adopted new internal control procedures (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. 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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

INTERNAL CONTROLS *(continued)*

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.

AUDIT COMMITTEE

As at 31 December 2018 and the date of this Annual Report, the Audit Committee of the Company ("**AC**") comprised of four independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam, Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. Dr. Loke Yu (alias Loke Hoi Lam) is the chairman of the AC. One out of four AC members, Dr. Loke Yu (alias Loke Hoi Lam) possesses recognised professional qualifications in accounting and has wide experience in audit and accounting.

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 2018 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 until his retirement on 6 June 2018)*	1/1
Dr. Loke Yu (alias Loke Hoi Lam) *(appointed as member and elected as chairman of the committee on 6 June 2018)*	1/1
Mr. Li Hongxiang	2/2
Mr. Wong Kwok On	2/2
Mr. Bonathan Wai Ka Cheung	2/2

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

AUDIT COMMITTEE *(continued)*

The Company's annual results for the year ended 31 December 2018 has been reviewed by the AC.

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

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

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2018, 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	93
— Interim review	–

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 supports the Board by facilitating information flow amongst Board members and assists Board members on policy and procedures. Mr. Chan is a practising solicitor in Hong Kong. During the Year, Mr. Chan has taken no less than 15 hours of relevant professional training.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chen Yongsen, aged 48, 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 65, 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. Wang resigned as an executive Director and the Chief Executive Officer on 5 June 2018.

Mr. Chen Hua, aged 56, 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 47, 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 37, 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 46, 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.

Mr. Mai Huazhi, aged 27, occupied senior management roles in an integrated financial company in China engaging in enterprise management and consultancy, asset management, financial services, direct equity investment, financial information, corporate restructuring, leasing and property development prior to joining the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong, aged 47, was appointed as an independent non-executive Director of the Company with effect from 1 June 2015. Mr. Poon received his Bachelor of Economics in University of London in United Kingdom, followed by Master of Practicing Accounting in Monash University in Australia, Master of Business Administration and Master of Professional Accounting and Corporate Governance both in City University of Hong Kong. Mr. Anson Poon is a qualified member of Hong Kong Institute of Company Secretary, a qualified member of Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant (Australia). He is currently an executive director of Tou Rong Chang Fu Group Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 850). Mr. Poon retired at the annual general meeting held on 6 June 2018.

Mr. Li Hongxiang, aged 28, was appointed as an independent non-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 64, 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 and an independent non-executive director of Real Nutriceutical Group Limited (stock code: 2010).

Mr. Bonathan Wai Ka Cheung, aged 27, 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.

Dr. Loke Yu (alias Loke Hoi Lam), aged 68, was appointed as an independent non-executive Director of the Company with effect from 6 June 2018. Dr. Loke holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a Fellow Member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Independent Non-executive Director Association.

He has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. Dr. Loke was formerly an independent non-executive director of Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited) (stock code: 876), Winfair Investment Company Limited (stock code: 287), SCUD Group Limited (stock code: 1399), Shenzhou Space Park Group Limited (formerly known as China Household Holdings Limited) (stock code: 692) and China Beidahuang Industry Group Holdings Limited (stock code: 39). Dr. Loke is currently an independent non-executive director of V1 Group Limited (stock code: 82), Matrix Holdings Limited (stock code: 1005), CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited (stock code: 445), Zhong An Real Estate Limited (stock code: 672), Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited) (stock code: 976), Tianjin Development Holdings Limited (stock code: 882), Tianhe Chemicals Group Limited (stock code: 1619), Lamtex Holdings Limited (stock code: 1041), Forebase International Holdings Limited (stock code: 2310), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code: 2882), Zhenro Properties Group Limited (stock code: 6158) and Tradego FinTech Limited (stock code: 8017), shares of which are listed on the Main Board or GEM of the Stock Exchange.

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.

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), and the trading of tower and electric cable. The breakdown of turnover based on products is summarised as follows:

	Year 2018 HK$'000	**%**	Year 2017 HK$'000	%	Increase/ (decrease) HK$'000	Change in %
LED Lighting	**–**	**–**	8	0%	(8)	(100)%
Single-sided PCB	**102,556**	**30.1%**	107,433	19.2%	(4,877)	(4.5)%
Double-sided PCB	**159,371**	**46.8%**	99,095	17.7%	60,276	60.8%
Multi-layered PCB	**44,185**	**13.0%**	159,075	28.4%	(114,890)	(72.2)%
Trading of tower and electric cable	**34,303**	**10.1%**	193,832	34.7%	(159,529)	(82.3)%
	340,415	**100%**	559,443	100.0%	(219,028)	(39.2)%

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 76.9% (2017: 36.9%) of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 13.0% (2017: 28.4%) of turnover.

Since second half year of 2017, the Group has participated in the trading of tower and electric cable business in PRC. The turnover of this sector has generated revenue in the amount of HK$34,303,000 for the year ended 31 December 2018 (2017: HK$193,832,000), accounting for 10.1% (2017: 34.7%) of total turnover.

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

	Year 2018 HK$'000	**%**	Year 2017 HK$'000	%	Increase/ (decrease) HK$'000	Change in %
Hong Kong	**60,658**	**17.8%**	62,373	11.2%	(1,715)	(2.7)%
The PRC	**230,180**	**67.6%**	426,420	76.2%	(196,240)	(46.0)%
Asia (excluding Hong Kong and the PRC)	**8,392**	**2.5%**	11,192	2.0%	(2,800)	(25.0)%
Europe	**36,986**	**10.9%**	43,880	7.8%	(6,894)	(15.7)%
Others	**4,199**	**1.2%**	15,578	2.8%	(11,379)	(73.1)%
	340,415	**100%**	559,443	100.0%	(219,028)	(39.2)%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong, the PRC, details of which are summarised as follows:

Production plant	Location	Area	Products	Production capacity	Commencement of operations
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$340.4 million (2017: HK$559.4 million), representing a decrease of 39.2% as compared to the last year. The gross profit margin for the year of 2018 was 1.3% (2017: 1.3%). The gross profit margins for LED lighting, PCBs and tower and electric cable were 0%, 1.2% and 1.8% respectively.

The decrease in the turnover and gross profit margin for PCB business was mainly attributable to (i) increase in competition in PCB industry; and (ii) reduction in the average selling price of PCB. Loss attributable to shareholders was approximately HK$133.8 million (2017: HK$98.5 million).

Impairment loss in respect of property, plant and equipment

No impairment losses were recognised respectively for 2018 and 2017 in respect of plant and machinery and leasehold improvements.

Written off in respect of inventories

During the Year, HK$2.3 million (2017: HK$15.3 million) has been recognised as written off in respect of inventories for the year ended 31 December 2018.

Recognised share based payments

During the year ended 31 December 2018, the Group recognised HK$3.2 million share based payment (2017: HK$3.5 million). No negative cash flow effect is made to the Group as a result of these share based payments.

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 impaired of HK$72.7 million (2017: Net impairment impaired of HK$3.3 million) being recognised for the Group's LED lighting, PCB businesses and trading of tower and electric cable.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the Group had total assets of approximately HK$667.5 million (2017: HK$895.0 million) and interest-bearing borrowings of approximately HK$200.5 million (2017: HK$179.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 30.0% (2017: 20.0%).

The Group had net current liabilities of approximately HK$39.1 million (2017: net current assets of HK$76.7 million) consisted of current assets of approximately HK$477.2 million (2017: HK$658.8 million) and current liabilities of approximately HK$516.4 million (2017: HK$582.1 million), representing a current ratio of approximately 0.92 (2017: 1.13).

As at 31 December 2018, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$31.5 million (2017: HK$66.1 million). As at 31 December 2018, the Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$21.2 million (2017: HK$43.6 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 2018, the Group employed a total of approximately 1,044 employees (2017: 1,203), including approximately 1,008 employees in its Zhongshan production site, 21 employees in its LED division in China and other business units and approximately 15 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

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:

	2018 HK$'000	2017 HK$'000
Buildings	**121,172**	132,297
Plant and machinery	**–**	7,376
Pledged bank deposits	**10,333**	22,453
Prepaid lease payments	**17,613**	18,228
Bills receivable	**–**	–
	149,118	180,354

LITIGATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATIONS *(continued)*

(b) On 13 August 2018, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TCO Jiangsu**"), a subsidiary of the Company, received a writ issued by 連雲港嘉鋭建築工程有限公司 (the "**Plaintiff**") against TCO Jiangsu and filed with Lianyungang City Lianyun District People's Court ("**Lianyungang Court**") together with the related court summons, whereby the Plaintiff alleged that TCO Jiangsu shall make a payment of RMB11,062,094.81 (approximately HK$12,863,000) to them in settlement of certain construction cost (the "**Jiangsu Legal Action**"). The Company has instructed its legal advisor to uphold its right in the Jiangsu Legal Action. In the meantime, the Board considers that the Jiangsu Legal Action is unlikely to result in any material adverse effect to the Company's operations or financial position.

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement to dispose its 100% equity interest in Best Pursue Holdings Limited ("**Best Pursue**"), TC Orient Jiangsu Holdings Company Limited ("**TC Orient (JS) Holdings**") and TCO Jiangsu to an independent third party (the "**Purchaser**") for cash consideration of HK$20,000,000. The disposal was completed on 31 December 2018.

(c) In January 2019, 吳川榮森貿易有限公司 ("**Wuchuan Rongsen**"), a subsidiary of the Company, applied to Wuchuan City District People's Court (吳川市人民法院) ("**Wuchuan Court**") to have 廣東威立電力器材有限公司 ("**Guangdong Weili**") liquidated (the "**Liquidation Application**") due to its failure to repay trade receivables of RMB48,944,917 on or before 30 May 2018, despite its previous undertaking to Wuchuan Rongsen to do so pursuant to a settlement agreement (the "**Settlement Agreement**") entered into by the parties in December 2017. As a prudent measure, impairment loss on trade receivables for the year ended 31 December 2018 was made in respect of the entire sum of trade receivables of RMB48,944,917.

OTHER INFORMATION

Dividends

The Board has resolved not to recommend the payment of a final dividend (31 December 2017: Nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE

This Environmental, Social and Governance Report (the "**ESG Report**") summarizes the environmental, social and governance ("**ESG**") initiatives, plans and performance of TC Orient Lighting Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**"), and demonstrates its commitment to sustainable development.

The Group adheres to the ESG management direction in accordance with the concept of sustainable development, and is committed to progress effectively and responsibly against the ESG affairs of the Group as a core part of its business strategy. Therefore, we believe that this is the key to its continuing success.

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 ("**PCB**"), it has become a high-quality manufacturer of PCB. 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 978,000 square meters.

Group Culture, Philosophy and Vision

Based on the management consciousness of "Quality is the way to survive", we implement comprehensive quality management and are 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, willing to learn, appreciate learning, and constantly review and practice, so as to continuously broaden 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.

ESG Management Structure

During the year ended 31 December 2018, the Group has established the ESG taskforce (the "Taskforce"). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant information on its ESG aspects for the preparation of the Report. The Taskforce reports to the board of directors of the Company on a regular basis, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's ESG internal control mechanism. The Taskforce also examines and assess the performance in different aspects such as environment, health and safety, labour standards, and product responsibility in the ESG perspectives. The Board has set the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING FRAMEWORK

The ESG Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "**Reporting Guide**").

The corporate governance practices of the Group are set out in the corporate governance report on Pages 5 to 14 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018 (the "**Reporting Period**").

REPORTING SCOPE

This ESG Report covers the overall ESG policies and related information. The contents as disclosed in this ESG Report mainly comprise the business of the Group — the PCB business, including but not limited to the plants located in Zhongshan of the Group and its offices in Shenzhen. Unless otherwise stated, we obtained information about the ESG Key Performance Indicators ("**KPIs**") through the Group's and its subsidiaries' operational control mechanisms. The Group will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and its work on sustainable development is strengthened.

STAKEHOLDER ENGAGEMENT

As stakeholder engagement represents an essential part in the continuous advancement of sustainability performance, the Group recognizes various stakeholders' views on our operations and ESG issues. To thoroughly understand and quickly respond to different stakeholders and handle their core concerns, we maintain close communications with various stakeholders (including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory bodies, industrial peers and chamber of commerce, as well as communities, non-governmental organizations and the media) through different channels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT *(continued)*

We expect to incorporate the expectations of our stakeholders into our business operations and ESG strategies by tapping into various stakeholders engagement and communications channels. Set out below are the stakeholder engagements and communications channels, as well as their expectations and concerns:

Key stakeholders	Communications channel
Government and regulatory bodies	Oversight of compliance with local laws and regulations Submission of reports and tax records
Shareholders and investors	Annual general meeting Annual report and interim report Announcements and circulars Investor conferences
Employees	Channels for employee feedback (labour union, general manager's mail box, employee feedback box, etc.) Regular performance assessment Intranet Employee communication meetings
Customers	Customer satisfaction surveys Customer Service Department
Suppliers	Supplier management conferences and events Supplier audit
Industrial peers and chamber of commerce	Industry conferences and seminars Meetings convened by chamber of commerce
Communities, non-governmental organizations and the media	Community engagement plans ESG Report

We are committed to collaborating with our stakeholders on improving the ESG performance of the Group so that we will continue to contribute greater values to the nation and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the Report, assisting the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to its businesses and stakeholders. The Group compiled a information collection questionnaire in accordance to the identified material ESG issues to collect information from the relevant departments and business units of the Group.

The following table summarizes the Group's material ESG issues included in the ESG Report:

The Reporting Guide		Material ESG Aspects of the Group	
A.	**Environmental**		
A1.	Emissions	Exhaust Gas Emissions	P. 29
		Greenhouse Gas Emissions	P. 30
		Sewage Discharge	P. 31
		Waste Disposal	P. 31
A2.	Use of Resources	Energy Consumption	P. 34
		Water Consumption	P. 36
A3.	Environment and Natural Resources	Green Production	P. 37
B.	**Social**		
B1.	Employment	Remuneration and Benefits	P. 38
		Recruitment, Promotion and Dismissal	P. 39
		Equal Opportunity	P. 39
		Employee Communication	P. 39
B2.	Health and Safety	Safe Production	P. 40
		Employee Health	P. 40
		Fire Safety	P. 40
B3.	Development and Training	Training Management	P. 41
B4.	Labour Standards	Prevention of Child Labour and Forced Labour	P. 42
B5.	Supply Chain Management	Supply Chain Management Structure	P. 42
		Fair and Open Procurement	P. 43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT *(continued)*

The Reporting Guide	Material ESG Aspects of the Group	
B6. Product Responsibility	Quality Assurance	P. 44
	Customer Services and Product Return	P. 45
	Customer Privacy	P. 45
	Intellectual Property Rights Protection	P. 45
B7. Anti-corruption	Anti-corruption	P. 46
B8. Community Investments	Community Engagement	P. 46

During the Reporting Period, the Group confirmed that appropriate and effective management policies, as well as internal control mechanisms, for ESG issues were established and the information disclosed in the Report meets the Reporting Guide.

CONTACT US

We welcome comments and suggestions from its stakeholders. You may provide your comments on the Report or towards our performance in respect of sustainability via email to tatchun@tatchun.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

*General Disclosures and Key Performance Indicators (“**KPIs**”)*

Basic Policies

Following its inception, the Group has been committed to encouraging our employees and production bases to engage in various environmental activities for the purposes of fulfilling its social responsibility. In strict compliance with the “Environmental Protection Law of the People’s Republic of China, “Law of the People’s Republic of China on the Prevention and Control of Water Pollution”, “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution, “Law of the People’s Republic of China on Prevention and Control of Environmental Noise Pollution”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” and other environmental protection related laws and regulations, we will pay the environmental protection taxes in accordance with “The Environmental Protection Tax Law” for direct emissions of taxable pollutants to the environment. Meanwhile, the Group has always been implementing the following three principles to minimize its operating impacts 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; and
- Integrate environmental goals into business decisions in a cost-effective manner.

The Group continues to emphasize on regulating our environmental management in accordance with the standardized management systems, and has established our environmental management system (being the environmental management system certified to comply with ISO14001:2015/GB/T 24001-2016). Meanwhile, the Group has set environmental protection guidelines for its operations, “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 adoption of a systematic approach to strengthen environmental management, the Group can effectively use the resources to better manage environmental performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the environmental management system, the Group will formulate the corresponding working procedures, which is “Reduce Waste Water, Gas Emission, Noise Pollution Procedure” for different areas such as waste gas, waste water and waste. The Group strictly implements the abovementioned procedures. 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. On the other hand, we have established the “Environmental Factors Recognition Evaluation Procedure” in accordance with the environmental management system for the purposes of identifying material environmental factors that may arise from the operation and production procedures of the Group, based on which, the plan can be formulated to control material environmental factors. Subject to the environmental management system, various departments will plan and control different resources:

- 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;
- 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; and
- The Quality Assurance Department regularly audits the implementation of the above resource management.

Furthermore, we will carry out external and internal audits over the environmental management system on a regular basis for the purposes of maintaining constant improvement in the system. Persons in charge of environmental protection at all levels will continue to review our policies and practices and report to the management if necessary with proposed suggestions.

At the same time, employees’ awareness of environmental protection and knowledge should not be overlooked. Therefore, the Group encourages employees to reduce consumption and wastage, and formulates annual training plan to provide relevant trainings for employees on a regular basis in accordance with the requirements of the environmental management system.

During the Reporting Period, the Group did not have any violations of local environmental laws and regulations that had material impact to the Group in respect of exhaust gas and greenhouse gas emissions, emissions from water and land, and hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Exhaust Gas Emissions

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**"), the major source of which is vehicle exhaust gas. To reduce the exhaust gas emissions from the abovementioned source, the Group has formulated related policies and implemented various reduction measures.

Set out below were emissions of vehicle exhaust gas during the Reporting Period:

Vehicle Exhaust Gas

Exhaust gas category	2018 Exhaust gas emissions (kilograms)
Nitrogen oxides (NO_x)	**431.88**
Sulphur oxides (SO_x)	**1.10**
Particulate matter (PM)	**29.66**

We have adopted the following measures to reduce exhaust gas emissions generated from use of vehicles:

- Switch off the engine while waiting;
- Use unleaded fuel and low sulphur content fuel according to legal requirements;
- Eliminate non-compliant vehicles in according to national emission policies and standards;
- Provide maintenance services to vehicles on a regular basis to ensure the engine performance safeguard the efficient use of fuels; and
- Optimise operational procedures to increase the loading rate and reduce the idling rate of vehicles.

Through a series of measures implemented, employees' awareness towards environmental protection and reduction in air emission has been improved.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas Emissions

Greenhouse gas (“**GHG**”) emissions generated from the business operations of the Group are mainly from direct GHG emissions (Scope 1) from consumption of fuels by vehicles and indirect GHG emissions from external purchase of electricity (Scope 2). Set out below are the GHG emissions of the Group during the Reporting Period:

	2018	
Indicator[1]	Total emission (Tonnes of carbon dioxide equivalent)	Intensity[2] (Tonnes of carbon dioxide equivalent/10,000 square meters)
Direct GHG emissions (Scope 1)	**192.10**	**1.96**
Indirect GHG emissions (Scope 2)	**19,648.45**	**200.88**
Total GHG emissions (Scope 1 and 2)	**19,840.55**	**202.84**

Note:

1. GHG emission data are presented in terms of CO_2 equivalent, with reference to, including but not limited to, the reporting requirements of the “GHG Protocol Corporate Accounting and Reporting Standard” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare on ESG Report — Appendix II: Reporting Guidance on Environmental KPIs” issued by the Hong Kong Stock Exchange, and the latest “2017 Reduction Projects for Baseline Emission Factors for Regional Power Grids” published by the Ministry of Ecology and Environment of the PRC.

2. During the Reporting Period, the Group’s PCB production amounted to a total area of 978,075 square meters. This data is also used to calculate other intensity data.

Comparing with the year 2017, the total GHG emission has reduced by approximately 3,266.94 tonnes of carbon dioxide equivalent, the emission intensity has reduced by approximately 28.24 tonnes of carbon dioxide equivalent per 10,000 square meters. It shows the efforts the Group has paid on of emission reduction.

To minimize the GHG emissions, the Group has proactively implemented the following measures:

- Environmental protection and energy conservation measures are actively taken, and the relevant detailed measures are described in the section headed “Energy Consumption” of Aspect A2;
- Green building within the plant areas are vigorously introduced, and the relevant measures are described in the section headed “Plant Afforestation” of Aspect A3; and
- GHG emissions caused by vehicle exhaust gas are reduced, and detailed measures are described in the section “Exhaust Gas Emissions” in the preceding paragraph.

As a result of these measures to reduce GHG emissions, the employees of the Group have raised their awareness of reducing GHG emissions.

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Sewage Discharge

The Group will mainly produce industrial wastewater during production, which will be directly transported to the municipal pipeline for purification treatment. 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.

Set out below was the sewage discharge of the Group during the Reporting Period:

	2018	
Sewage category	Total emissions (tonnes)	Intensity (Tonnes per 10,000 square meters)
Industrial sewage	**700,000.00**	**7,156.91**

Regarding sewage discharge, the Group has actively put forward specific reduction plans and established the water quotas for each production process, so as to minimize the emission of waste water. To ensure that sewage generated by the Group will meet the discharge requirements under the laws, regulations and quality control system, the Group has established a sewage treatment facility within our plant premises, while we have formulated a series of procedural instructions, including “Wastewater Treatment Work Instructions”, “Sludge Dehydrator Work Instructions”, etc., for the purposes of proper treatment of chemical substances and impurities contained in the sewage. In addition to actively training employees, the Group also arranges various departments to cooperate with each other to monitor and ensure the execution effectiveness of the sewage reduction plans.

Waste Disposal

The Group will also generate hazardous and non-hazardous wastes over its course of operation and production. 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. To reduce the impact of waste on the environment, the Group has continued to implement various measures with respect to waste management and emission reduction in strict compliance with laws and regulations, including the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” and the “Standard for Pollution Control on Hazardous Waste Storage”.

In order to reduce generation of waste and increase the rate of resource reuse, the Group strictly implements the “3R” principle, which is REDUCE, REUSE and RECYCLE. Energy and resource management systems are developed to enable better use of resources during the production process.

REDUCE

Under the production premise, the amount of used materials is minimized, and the amount of waste generated is subject to strict control.

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REUSE

Materials are reused to reduce waste generation and save resources.

RECYCLING

Reusable materials are circulated as much as possible without compromising product quality.

Hazardous Waste

In dealing with hazardous waste (collect, transport, store and dispose), the Group complies with the labelling standards of the "Standard for Pollution Control on Hazardous Waste Storage" (GB18597-2001) 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.

Hazardous waste generated from our business operations mainly comprised metal scraps, colorants and coating waste, oil and ink waste, plastic waste, etc. Set out below were the emissions of hazardous waste of the Group and its intensity during the Reporting Period:

	2018	
Hazardous waste category	Total emissions (tonnes)	Intensity (Tonnes per 10,000 square meters)
Hazardous waste	**1,639.00**	**16.75**

Comparing with the year 2017, the total emission has increased by approximately 28.00 tonnes, and the emission intensity has increased by approximately 0.64 tonnes per 10,000 square meters. The Group has an increase in hazard waste emission, based on this, the Group will conduct a series of measures to reduce the emission. The specific measures include (but not limit to):

- Employees are provided with clear working instructions and comprehensive 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 are 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 holds regular drills to deal with hazardous wastes and chemicals; and
- 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 "Permit for Operation of Dangerous Wastes".

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Non-hazardous Waste

Non-hazardous waste generated from our business operations mainly comprised industrial waste and paper. Set out below were the non-hazardous emissions of the Group and its intensity during the Reporting Period:

	2018	
Non-hazardous waste category	Total emissions (tonnes)	Intensity (Tonnes per 10,000 square meters)
Paper	0.17	0.0017
Industrial waste (recycable)	20.00	0.20

The Group has implemented the following measures to dispose non-hazardous waste:

- The Production Engineering Department will handle the non-hazardous wastes belonging to waste liquids and waste residues according to the "High Density Sludge Handling Work Instructions";
- The Materials Control Department is responsible for the disposal of empty containers;
- Other wastes and domestic wastes are managed by the contractor in accordance with the terms of the waste contract; and
- Fire-fighting wastes are uniformly stored by the Personnel Administration Department and attached with labels, and then a scrap form will be issued.

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 and promoting paperless office management, enhances employees' awareness of energy conservation, and cultivates the environmental habits of employees. The Group has implemented the following measures to minimize consumption of paper during its operations:

- Our employees are required to use double-sided copying or printing;
- Dissemination of documents, general business notices, and data transmissions through the online system is encouraged to minimize copying of documents; and
- Paper consumption will be subject to regular supervision.

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A2. Use of Resources

General Disclosures and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimizing the use of resources in all of its business and production operations. Throughout the operations, fuel, electricity and water are frequently consumed. Therefore, the Group has formulated related water and electricity control requirements and policies to improve the efficient use of resources so that our carbon emissions will be reduced. By collecting monthly consumption data, we closely monitor and assess the level of water and electricity consumption. In case of any abnormal or excessive consumption, we will conduct investigations to identify the causes and the corrective actions. Looking ahead, we are continuously looking for practical reduction opportunities in our operation. On the other hand, the officers, who are designated by the Group to control the resource consumption, will have the power to staunch the waste of resources, in which case, the administrative department will issue notices of censure or even impose penalties. On the other hand, we always emphasize on conservation promotion and education among our employees by publishing documents to promote electricity and water conservation on bulletin boards in workshop areas and living quarters, as well as raising the awareness of electricity and water conservation among our employees at routine meetings.

Energy Consumption

To achieve high energy efficiency, the Group has established effective energy surveillance and assessment system, pursuant to which, the corresponding energy management functions are established, and energy conservation has been identified as part of our fundamental policies. All employees shall carry out energy conservation measures and take responsibility for the overall energy efficiency of the Group. In accordance with the energy management system, we formulate and conduct regular inspections over our energy targets to continuously improve the energy efficiency of the Group. The Group reviews the energy management system annually to formulate our energy conservation goals and targets. Through consistent energy surveillance and assessment system, energy waste is stamped out by monitoring major energy-consuming equipment as well as analyzing and managing the power consumption of each department.

Set out below was the energy consumption of the Group and its intensity during the Reporting Period:

	2018	
Energy category	**Energy consumption (kWh)**	**Intensity (kWh/10,000 square meters)**
Petrol	**235,011.55**[1]	**2,402.80**
Diesel	**485,039.65**[2]	**4,959.12**
Electricity	**36,241,727.00**	**370,541.26**
Total energy consumption	**36,961,778.20**	**377,903.18**

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Notes:

1. Gasoline consumption is approximately 25,200.00 litres.

2. Diesel consumption is approximately 45,601.32 litres.

Comparing with the year 2017, the total energy consumption has reduced by approximately 6,011,817.80 KWh, and the emission intensity has reduced by approximately 48,421.82 KWh per 10,000 square meters. It shows the efforts the Group has paid on the energy saving.

The Group has implemented the following energy-saving measures over the course of its production for the purposes of conserving energy:

- LED lights, lamps, UV lights, and other energy-saving equipment and consumables are prioritized to enhance the energy efficiency;
- Automatic shutdown schedule is set for all production equipment, which will cease operation when the shutdown schedule is due to prevent waste of energy;
- In case of low production capacity, use of large-power production lines is avoided to minimize the consumption of electricity;
- The production department is required to control the number of production equipment in service at the production workshops in accordance with the planned production capacity, and shall submit applications to the department head for additional operating equipment at production workshops;
- Equipment shall be prevented from frequently alternating between powering off and on;
- In case that production insufficiency requires additional production workshops, additional energy consumption caused by different performances of equipment shall be assessed;
- The lighting in whole or in part shall be shut down if workshops and other public facilities receive sufficient daylight;
- Some centralized air-conditioners and ventilation systems shall be powered off during public holidays or when the production capacity is not fully utilized and overtime is not required;
- The centralized air-conditioning temperature for production workshops shall be capped for a certain level;
- All windows of the workshops shall remain closed; and
- Use of workshop fans is prohibited during winter.

On the other hand, the Group has implemented the following energy-saving measures during daily office hours and operations:

- A portion of lighting is powered off when few employees are in the office;
- All office equipment and lighting must be powered off when all employees leave the office;
- Office air-conditioning temperature is capped for a certain level, and all employees are required to power off the air-conditioners before leaving the office;
- All windows of the offices shall remain closed;
- A service schedule is set for all lighting facilities in the living quarters, and these lighting facilities shall remain powered off beyond such service schedule; and
- Regular inspections and maintenance over solar-powered water heaters shall be conducted.

As a result of these energy-saving measures, employees of the Group have increased their awareness of energy conservation.

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Water Consumption

Apart from the measures to treat industrial sewage as described in the section headed “Sewage Discharge” of Aspect A1, we encourage all employees and customers to take the initiative to conserve water and develop this into a good habit so that water consumption in the office, domestic, and production hours can be reduced. The Group has implemented the following measures to reduce water consumption during our production:

- Inspection over production equipment shall be strengthened. When water leakage is identified, maintenance shall proceed in accordance with the equipment maintenance procedures; and
- The flow volume of the flow meters used during the production shall be controlled, and water-based equipment shall be timely powered off when the water level falls to zero to conserve water.

Furthermore, the Group has implemented the following measures to improve water efficiency of the living quarters and office areas:

- Inspections over water facilities within the office areas and living quarters shall be conducted. In case of any water leakage, maintenance shall proceed in accordance with the equipment maintenance procedures as soon as possible; and
- Regular inspections over water consumption at the cafeterias shall be conducted. Those employees that waste water will be subject to penalties under the relevant procedures.

During the Reporting Period, the Group’s total water consumption amounted to approximately 1,088,820.00 cubic meters (2017: 1,541,627.00 cubic meters) among which, the average water consumption for producing every 10,000 square meters of PCBs was approximately 11,132,27 cubic meters (2017: 15,294.00 cubic meters).

As a result of these water-saving measures, the employees have heightened their awareness of water conservation. Comparing with the year 2017, the total water consumption has reduced by approximately 452,807 cubic meters, and the average water consumption has reduced by 4,161.73 cubic meters. It shows the efforts the Group has paid on the energy saving.

During the Reporting Period, the Group did not identify any issue in sourcing water that is fit for purpose.

Use of Packaging Materials

During the Reporting Period, the plants of the Group consumed a total of approximately 245.22 tonnes (2017: 158.57 tonnes) of packaging materials for finished products with the intensity of 2.51 tonnes per 10,000 square meters (2017: 1.59 tonnes per 10,000 square meters), details of which are set out as follows:

Packaging material category	2018 Packaging materials consumed (tonnes)
Paper	**150.73**
Plastics	**50.38**
Temperature display card	**42.71**
Others	**1.40**

During the Reporting Period, the recycling amount of packaging materials is approximately 7.00 tonnes of plastics and approximately 63.08 tonnes of metals.

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A3. Environment and Natural Resources

General Disclosures and KPIs

The Group pursues the best practice with the environment and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environmental related regulations and international standards to appropriately protect the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability.

Green Production

The Group has always insisted on integrating the concept of environmental protection into its products and production processes. In addition to establishing an environmental management system in accordance with ISO 14001:2015, the Group ensures that no hazardous substances will be identified in the product design and production, as well as procurement processes, to ensure its compliance.

This system aims to use the common process management model to resolve the Group'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 the Hazardous Substances Free ("**HSF**") policies and objectives in accordance with the such system, and implemented the following measures:

- Identify and control the required processes;
- Provide resources to execute processes;
- Monitor 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;
- Take corrective actions to ensure the commitment to pollution prevention; and
- Continue to improve the effectiveness of the system.

On the other hand, we have formulated the "Management Standards for Specific Chemicals", ensuring the related production and purchase processes are in compliance with the relevant laws and regulations.

Plant Greenery

Besides optimizing productions and operations, the Group also makes efforts to advance the plant greenery. Through greenery within the plant areas, the Group purifies the air within the plant premises, lowers the noise level, and enhances our image. As the same time, our employees can enjoy good working conditions, and therefore their enthusiasm at workplaces is improved.

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B. SOCIETY

B1. Employment

General Disclosure

Employees are the largest and most valuable asset and the core competitive advantage of the Group. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardizes labour employment management, protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and values their enthusiasm, initiative and creativity in order to build a harmonious labour relations.

The Group protects the legitimate interests and rights of our employees in strict compliance with laws and regulations, such as the "Labour Law of the People's Republic of China" ("**Labour Law**") and the "Labour Contract Law of the People's Republic of China" ("**Labour Contract Law**"). The Group has established relevant personnel management policies to provide employees with a healthy, positive and motivative working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

During the Reporting Period, the Group did not aware any material non-compliance of laws and regulations in respect of human resources.

Remuneration and Benefits

The Group has established a fair, circular, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. The remuneration of the employees of the Group comprises of basic salary, performance bonus, overtime payment, and more. The employees of the Group will be provided with different types of allowances and performance-linked bonuses, including technical allowances, performance target bonuses, and allowances for special positions, for the purposes of boosting the employee productivity. In addition, the Group conducts annual assessments in accordance to changes in macroeconomic factors (e.g. national policies and price levels), industry and regional remuneration levels, changes in the Group's development strategy, the overall effectiveness of the Group, and the work performance of the employees, and makes corresponding adjustments to staff remuneration so that our employees will receive fair and competitive remuneration.

The Group has signed and executed labour contracts with employees in accordance with the Labour Contract Law. The signing rate of the labour contracts is 100%. In accordance with the law, the Group legally pays "five social insurance and one housing fund" for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees covered by social insurance.

The Group sincerely safeguards the legitimate interests of labour in accordance with the requirements of the national and local laws and regulations (e.g. the Labour Law), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. Besides statutory holidays, our employees are also entitled to personal leave, injury leave, sick leave, maternity leave, marriage leave, bereavement leave and shift leave. We follow the "Regulation on Paid Annual Leave for Employees" and other relevant regulations to implement the paid leave system for employees. In addition, the Group implements the standard working hour system. Our employees work no more than 8 hours a day. In case of overtime requirements, the Group will compensate our employees for overtime work in accordance with the Labour Law.

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Recruitment, Promotion and Dismissal

The Group actively recruits talents with qualifications from different regions, cultural backgrounds and qualifications to join the Group to form a diverse workforce and enhance its overall competitiveness. By upholding this principle, the Group has formulated the "Human Resources Management Procedures" to regulate our recruitment processes.

Furthermore, the Group has formulated related policies and procedures, including but not limited to "Management Manual for Employee Promotion — Salary Adjustment — Job Re-designation" and "Employment and Resignation Manual", so as to clarify the basis and procedures to promote, re-designate, and demote personnel, regulate the resignation process, and safeguard the interests of both employees and the Company.

The Group conducts an employee assessment once a year. The assessment indicators cover, including but not limited to, academic qualifications, training results, attendance record, working attitude, work performance and work completion. We calculate the assessment scores by weighted average of various assessment indicators, and determine whether to approve a job promotion or salary adjustment and its specific adjustment level based on the assessment scores.

Equal Opportunity

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process to eliminate discrimination in the recruitment process to ensure no discrimination against any employee, regardless of race, religion, colour, gender, physical fitness or political views, and thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, to attract professionals with diverse backgrounds to join the Group. Furthermore, the Group has adopted the zero tolerance policy towards issues involving discrimination against gender, race, or physical fitness, and workplace harassment.

Employee Communication

The Group is convinced that honest communication is the only way to effectively implement the work environment management system. Our establishment of the labour union facilitates internal communications, allowing us to understand the issues and difficulties our employees encounter in their work and life on a timely basis, as well as to help them resolve such issues and difficulties. 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, and functional competitions, increasing communication opportunities among employees and a sense of belonging to the Company, as well as helping our employees achieve a work-life balance .

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B2. Health and Safety

General Disclosure

The Group highly recognizes the importance of the health and safety of its employees, commits itself to providing employees with a healthy, safe and comfortable working environment and strives to eliminate potential health and safety hazards at workplaces. We enforce relevant laws and regulations such as the “Labour Law of the People’s Republic of China”, “Production Safety Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” and “Fire Protection Law of the People’s Republic of China”.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation were paid to our employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

Safe Production

The Group regards its employees’ health and safety as one of its top priorities for productions and operations and strives to safeguard a safe and hygienic workplace. The Group has implemented various production safety measures in accordance with the “Production Safety Law of the People’s Republic of China” and other related laws and regulations to prevent accidents. The Group will conduct regular safety audits to determine whether the operation of our plants are in compliance with the workplace safety procedures, industrial safety instructions and their regulations. In case of any sign of non-compliant practices, corrective actions will be immediately taken to prevent occurrence of work-related injuries. In accordance with the “Regulation on Work-Related Injury Insurance” issued by Guangdong Province and relevant laws and regulations, we will provide treatments and related support to those injured employees.

The Group’s various measures, which are implemented throughout its workplaces and production facilities, will enhance the occupational health and safety conditions, and ensure compliance with the applicable laws and regulations. In addition, the Group has formulated a series of safety guidelines, rules, and procedures governing our production activities in various aspects, including fire safety, plant safety, work injury, and emergency and evacuation procedures. In strict compliance with the labour safety regulations, we will conduct regular testing of machinery, equipment, and materials, while ensuring our employees are provided with personal protective equipment. Furthermore, we will provide training programs and protective equipment. To raise the awareness of industrial safety, as well as reduce burns, allergies, and poisoning caused by exposure to chemicals during the production process, the Group requires our employees to wear the plastic gloves and protective goggles when transporting and preparing chemical liquids.

Employee Health

The Group pays great attention to the employee’s mental and occupational health by arranging health checkups for our employees on an annual basis, as well as purchasing personal accident and injury insurances and critical illness insurances for our employees. To supplement the social security insurance program, we purchase supplemental medical insurances for our employees as well.

Fire Safety

The Group recognizes the importance of fire safety within the factory, and therefore designs and conducts production plant buildings in accordance with the national engineering building fire control standards. In addition, the Group has formulated fire safety system and procedures and established fire control systems. Fire facilities are provided in warehouses, production workshops and offices, and are maintained on a regular basis. Meanwhile, the monitoring of key locations (such as transformers, power supply and distribution rooms, etc.) is strengthened to reduce the potential for fire hazards. The Group also regularly holds fire training and emergency drills to raise fire awareness among all employees.

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B3. Development and Training

General Disclosure

Training Management

The Group actively cares about the career development of employees, commits itself to promote the professional development and personal growth of employees, and regards development and training as a continuous process. The Group provides our employees at all levels with various internal and external courses, and courage them to participate in these courses, so that they will improve their job-related skills and knowledge, and enjoy equal opportunities for full learning, training and promotion. Furthermore, the Group will assist our employees in partaking external training, as well as funding their acquisition of professional qualifications that are conducive to the business of the Group.

The Group has established the “Training Management Regulate” to regulate the training and management of our employees. The management will formulate and implement the annual training plans, and carry out regular reviews over the effectiveness of such training plans to improve the effectiveness of the training system. Upon completion of training, the heads at various departments will assess and score the corresponding work performance, as well as completing and submitting the “Training Effectiveness Assessment Form” to confirm that our employees acquire position-related expertise and training knowledge, and their ability to apply such position-related expertise and training knowledge. The management department will, after summarizing and analyzing the assessment results, report the same at the management assessment meeting to determine whether corresponding updates shall be made to the forthcoming training plans.

The Group provides our employees with induction training, on-the-job training, and position-related training, details of which are set out as follows:

Training category	Training contents
Induction training	Prior to taking up their respective positions at the plant premises, new hires will receive induction training from the management department which mainly cover corporate introduction, corporate culture, regulations and rules, working attitude, quality and values, environmental policies, workplace safety knowledge, etc.
On-the-job training	Training covers business philosophy, business management expertise, environmentally hazardous chemicals, and specific skills, and relates to human resources and administrative policies, quality policies, environmental policies, environmental awareness, quality and environmental management system, corporate values, important regulations and rules, and management expertise.
Position-related training	Training covers such knowledge and practical work skills in regard to special operations, specific working procedures, machinery operations, use of equipment and tools, and major environmental impacts caused by work, including operation regulations and machine operation manuals, which are direct requirements for employees directly working on the production line.

Furthermore, the Group actively provides professional training to our directors and senior management so that they will always maintain the related knowledge and skills and keep abreast of the times. Professional training includes various lectures and seminars, which discusses topics related to leadership, corporate governance, and the latest legal developments.

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B4. Labour Standard

General Disclosure

Prevention of Child Labour and Forced Labour
The Group strictly complies with the "Convention concerning the Abolition of Forced Labour" related to labour employment, the "Labour Law of the People's Republic of China" related to the employment of teenagers under 16 and their legal rights, and the "Provisions on the Prohibition of Using Child Labour" promulgated by the State Council of the People's Republic of China and implemented since 1 December 2002.

The Group strictly prohibits the employment of any child labour and forced labour in its business in Mainland China. The Group clearly stipulates in recruitment guidelines that only employees meeting the statutory age requirements can be recruited, and that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including academic credentials, occupational title certificates, recent photos, photocopies of identity cards, and health check records. The human resources department will verify the identity information as submitted by new hires to confirm they meet the statutory age requirements.

In addition, the employees of the Group work overtime only in accordance with the principle of voluntariness to avoid violation of labour standards to effectively protect employees' rights and interests. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, and sexual harassment (including inappropriate language, posture, and physical contact) for any reason.

At the same time, the Group also avoids the appointment of such suppliers and contractors who are known to have engaged in child labour or forced labour in their operations to provide administrative products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

B5. Supply Chain Management

General Disclosure

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.

Supply Chain Management Structure
When screening potential suppliers, the Group will select the appropriate suppliers 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. Besides, the Group will enter into the "Quality Assurance Agreement" with the suppliers to ensure that the product quality of the suppliers is up to standard.

Meanwhile, the Group will also conduct a survey of raw materials on environmental management substances, and assess whether the supplier's environmental quality meets environmental requirements. On the other hand, the Group will enter into the "Environmental Protection Agreement", "Pledge against Use of Environment-related Materials", and "Prohibited and Restricted Material Agreement" with the suppliers, so that the products from these suppliers will be free from hazardous substances and meet environmental standards and environmental laws and regulations.

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.

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In some cases, the customer will ask the Group to purchase raw materials for its production from specific suppliers. Before issuing 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 Group'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.

Furthermore, we also take measures to examine whether its major suppliers and contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labor and child labor, and examine the suppliers' awareness in the above aspects.

Fair and Open Procurement
The Group also values anti-corruption work in procurement and other aspects. The Group's procurement process strictly complies the relevant regulations, including but not limited to the "Bidding Law of the People's Republic of China" and is conducted under conditions of openness, fairness and impartiality. No discriminatory treatment will be given to any supplier. Employees and other individuals who have a relationship for common benefit with the relevant supplier will not be allowed to participate in relevant procurement activities. We will enter into the "Supplier Incorruptibility Undertaking" with the selected suppliers to protect the legitimate rights and interests of both parties.

The Group is also concerned about the integrity of suppliers and partners. We will only select suppliers and partners who have had a good business record in the past and have no serious violations of relevant laws and regulations or violations of business ethics. We have zero tolerance to bribery and corruption, and suppliers and partners are strictly prohibited from obtaining procurement contracts or partnerships through any form of transfer of benefits.

B6. Product Responsibility

General Disclosure

The Group recognizes the importance of product quality and corporate reputation. It actively monitors the quality of its products and services through internal controls and is committed to producing high quality products that meet international industry standards. 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 the automotive industry quality control system and standard, to ensure the standardization of production processes, which allows us to continue improving the systems and product quality through measurement and analysis, as well as 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.

Given our business nature, the Group will only engage in limited promotional campaigns, including trade fairs and visits to prospective customers. Therefore, the Group does not involve any issue related to advertising and labeling over the course of its business operation.

We also maintain communication with its customers to ensure understanding and meeting customer needs and expectations, and understand customers' satisfaction. Thus, we are able to continuously improve its products and services. The Group vigorously complies with laws and regulations, including but not limited to, "Product Quality Law of the People's Republic of China", "Law of the People's Republic of China on Protection of Consumer Rights and Interests" and "Advertising Law of the People's Republic of China".

During the Reporting Period, the Group was not aware of any material non-compliance with product and service quality-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Assurance

Product safety and quality have a significant impact on the success of the Group. Therefore, the Group strives to improve our product quality and safety standard. For various production processes, the Group has implemented the standard quality control system, including production processes, and inspection of finished products, and services. Our established professional quality control team is responsible for quality assurance and control in regard to various products to ensure that the products upon shipment will meet various quality standards. Among them, the Group's products meet the following chemical requirements, including but not limited to:

- Materials in the Substances of Very High Concerns ("**SVHC**") under the European Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") Regulation;
- Directive on Restriction of Hazardous Substances in Electrical and Electronic Equipment (2011/65/EU) ("**RoHS 2.0 Directive**");
- Directive Relating to Restrictions on the Marketing and Use of PFOS (2006/122/EC);
- Halogen-free requirements; and
- Heavy metal requirements of EU Directive on Packaging and Packaging Waste (94/62/EC).

Furthermore, detection is an indispensable link in the quality control. 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.

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

The quality assurance team has been in close contact with the customers from time to time to obtain customer opinions on the quality and service of the Group's products through visits, factory audits and other activities. Questionnaires will also be conducted on customer opinions to properly adjust product design and production in a timely manner.

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, and these patents cover, including but not limited to:

- 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; and
- Teflon high-frequency circuit board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

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.

Customer Services and Product Return

The Group acknowledges that customer satisfaction plays a most critical factor in our success, and therefore has formulated the "Customer Service Control Procedures", pursuant to which, the relevant departments are required to collate customer feedback through various channels in order to continue improving product quality. The quality assurance team will keep close contact with the customers by paying visits, conducting plant audits, and engaging in other activities from time to time, so that the Group will obtain customer feedback in regard to our product quality and services. On the other hand, the Group will conduct customer surveys to make timely adjustments to our product design and production.

The Group has formulated the "Return Material Authorization Procedure" to regulate product return procedures. Our 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 Reporting Period, the Group did not faced any major product liability claims, and did not recalled any products due to safety and health reason and had 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 complies with relevant local laws and regulations. The Group has registered the patents and copyrights in regard to its inventions (including technologies, software, and systems), while undertaking to properly access the licenses and intellectual property rights of the third-party companies without violation against any applicable 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

General Disclosure

Anti-corruption

The Group believes that a corporate culture of high integrity is the key to our continued success. Therefore, we recognize the importance of its anti-corruption and the system development, and are committed to building a fair, open and transparent, standardized and efficient internal management atmosphere. Our employees, in particular our management, are required to regard honesty, trustworthiness and integrity as the most basic code of conduct. Any action involving malpractices, graft and acceptance of bribes, speculative practices, intentional omissions, and abuse of power to seek personal gains is prohibited. We strictly comply with the related laws and regulations, including but not limited to, "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery".

The Group has established a whistleblowing system to establish and maintain a clean and transparent culture of the Group. The whistleblowing system allows all employees to report anonymously to the chief executive officer of the Group through the mail box, including negligence, corruption, bribery and other misconduct. The Group will process the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also keeps the identity of any whistleblower confidential, and ensures that whistle-blowers will not be treated unfairly because of reports, the whistle-blowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

The Group is also acutely aware of potential acts of bribery and graft during the procurement process, so we have formulated the relevant regulations and policies to address such issues. A description of such regulations and policies is referred to Aspect B5 "Fair and Open Procurement".

During the Reporting Period, the Group did not notify any material non-compliance with the relevant laws and regulations against bribery, extortion, fraud and money laundering.

B8. Community Investment

General Disclosure

Community Engagement

The Group believes that a business, as an integral player of the society, will grow in line with the economic development of such society, and shall also shoulder the responsibility of giving back to the community. While pursuing its own development, the Group also devotes itself to social charity and public welfare, assisting people in need and giving back to the society and people. Therefore, the Group proactively participates in various charitable affairs and philanthropy activities, such as bringing care to the disadvantaged communities, giving back to society and creating an atmosphere of mutual assistance and harmony

The Group hopes to foster a sense of social responsibility among its employees. Therefore, it has been encouraging employees to participate in charity activities during their work and personal time to make greater contributions to the community. The Group 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. The Group believes that not only the quality of employees' thinking is improved, but also a care is given to the people who need help. We believe that through directly participating in these activities that contribute to the community, its staff could build up positive value and eventually be a socially responsible citizen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Content Index of the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions	P. 27
KPI A1.1 (“Comply or explain”)	The types of emissions and respective emissions information.	Emissions — Exhaust Gas Emissions, Greenhouse Gas Emissions, and Sewage Discharge	P. 29
KPI A1.2 (“Comply or explain”)	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — Greenhouse Gas Emissions	P. 30
KPI A1.3 (“Comply or explain”)	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Disposal	P. 31
KPI A1.4 (“Comply or explain”)	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Waste Disposal	P. 31
KPI A1.5 (“Comply or explain”)	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas Emissions, and Greenhouse Gas Emission	P. 29
KPI A1.6 (“Comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Disposal	P. 31

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	P. 34
KPI A2.1 (“Comply or explain”)	Direct and/or indirect consumption by type in total and intensity.	Use of Resources — Energy Consumption	P. 34
KPI A2.2 (“Comply or explain”)	Water consumption in total and intensity.	Use of Resources — Water Consumption	P. 36
KPI A2.3 (“Comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption	P. 34
KPI A2.4 (“Comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption	P. 36
KPI A2.5 (“Comply or explain”)	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials	P. 36
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources	P. 37
KPI A3.1 (“Comply or explain”)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Green Production, and Plant Greenery	P. 37
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment	P. 38

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	P. 40
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P. 41
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	P. 42
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 42
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	P. 43
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 46
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	P. 46

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 2018.

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 2018, and an indication of likely future development in the Group's business, can be found in the sections headed "Statement from the Board" 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 2018 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 has no distribution reserve available to shareholders at 31 December 2018 (2017: HK$24,248,000) were as follows:

	2018 **HK$'000**	2017 HK$'000
Share premium	**566,877**	566,877
Contributed surplus	**145,058**	145,058
Accumulated losses	**(885,430)**	(687,687)
	(173,495)	24,248

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)* (resigned on 5 June 2018)
Mr. Chen Hua
Mr. Xu Ming
Mr. Guo Jun Hao
Mr. Zeng Yongguang (appointed on 27 March 2018)
Mr. Mai Huazhi (appointed on 28 May 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anson Poon Wai Kong (retired on AGM on 6 June 2018)
Mr. Li Hongxiang
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loko Yu (alias Loke Hoi Lam) (appointed on 28 May 2018)

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. Initially, the maximum number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme (the "**Scheme Mandate Limit**") was 90,225,766 Shares, being 10% of the Shares in issue as at the date of approval of the New Share Option Scheme on 19 August 2016.

On 6 December 2017, the Company granted 90,000,000 share options under the New Share Option Scheme (the "**Options**") to certain eligible participants (as defined under the New Share Option Scheme) at an exercise price of HK$0.178 per share, leaving behind only 225,766 Options being available for grant. At the annual general meeting of the Company held on 6 June 2018, the refreshment of the Scheme Mandate Limit was approved by the Company's shareholders to allow the Company to grant up to the maximum of 205,927,043 Options, representing 10% of the Shares in issue on the date of approval of the refreshment.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

Grantee	Date of grant	Exercise price per share before 20 December 2017 HK$	Outstanding as at 1 January 2018 '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 as at the date of this report '000	Exercise period
Directors:													
Chen Yongsen (Resigned on 20 April 2018)	6 December 2017	0.178	10,000	–	–	–	10,000	0.178	10,000	10,000	–	–	*(Note 1)*
Wang Shi Jin (Resigned on 5 June 2018)	6 December 2017	0.178	10,000	–	–	–	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 (Retired on 6 June 2018)	6 December 2017	0.178	1,000	–	–	–	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)*
Subtotal			31,000	–	–	–	21,000		31,000	21,000	–	10,000	
Consultants	29 November 2010	2.807	1,903	–	–	–	–	2.316	1,903	–	–	1,903	*(Note 2)*
	22 October 2014	1.035	15,870	–	–	–	–	0.854	15,870	–	–	15,870	*(Note 4)*
	6 December 2017	0.178	34,000	–	–	–	–	0.178	33,000	–	–	34,000	*(Note 1)*
Subtotal			51,773	–	–	–	–		50,773	–	–	51,773	
Employees	2 September 2011	1.747	6,295	–	–	–	–	1.440	6,295	–	–	6,295	*(Note 3)*
	22 October 2014	1.035	6,924	–	–	–	–	0.854	6,924	–	–	6,924	*(Note 2)*
	6 December 2017	0.178	25,000	–	–	–	–	0.178	25,000	–	–	25,000	*(Note 1)*
Subtotal			38,219	–	–	–	–		38,219	–	–	38,219	
Total			120,992	–	–	–	21,000		119,992	21,000	–	99,992	

Note 1: These options 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' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 35 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

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

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 2018, 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
Chen Hua	Interest in controlled corporation (Note 1)	108,000,000	4.77%
	Beneficial Owner (Note 2)	1,000,000	0.04%
Xu Ming	Beneficial Owner (Note 2)	5,000,000	0.22%
Guo Jun Hao	Beneficial Owner (Note 2)	1,000,000	0.04%
Li Hongxiang	Beneficial Owner (Note 2)	1,000,000	0.04%
Wong Kwok On	Beneficial Owner (Note 2)	1,000,000	0.04%
Bonathan Wai Ka Cheung	Beneficial Owner (Note 2)	1,000,000	0.04%
Zeng Yongguang	Interest of Spouse (Note 3)	1,000,000	0.04%

Note 1: Based on the disclosure of Interest ("**DI**") filings made by the relevant person, these 108,000,000 Shares were held by Able Turbo Enterprises Limited ("**Able Turbo**"), which is a company 60.31% owned by Mr. Chen Hua (a director of the Company since 29 February 2015) and 39.69% owned by Mr. Li Xianggen.

Note 2: Based on the 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 Schemes".

Note 3: Based on the DI filings made by the relevant person, Mr. Zeng Yongguang is deemed to be interested in the 1,000,000 shares of the Company held by his spouse, Ms. Zeng Xiaoxian.

Other than 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 2018.

DIRECTORS' REPORT

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

As at 31 December 2018, the following person (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in shares:

Name of Shareholders	Capacity	Number of shares held (long position)	Percentage of issued share capital
South Network Group Limited (Note 1)	Beneficial Owner	216,000,000	9.54%
Zhu Dechao (Note 1)	Interest in controlled corporation	216,000,000	9.54%

Note 1: Based on DI filing made by the relevant person(s), these 216,000,000 Shares were held by South Network Group Limited, which is a company wholly owned by Mr. Zhu Dechao.

Other than disclosed above, as at 31 December 2018, 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 8.1% to the total sales for the year. The Group's five largest customers accounted for 23.4% of the Group's total turnover for the year.

The Group's largest supplier contributed 17.8% to the total purchases for the year. The Group's five largest suppliers accounted for 51.5% 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.

DIRECTORS' REPORT

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 2018.

AUDIT COMMITTEE

As at 31 December 2018 and the date of this Report, the Audit Committee of the Company ("**AC**") comprised of four independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Mr. Li Hongxiang, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. Dr. Loke Yu (alias Loke Hoi Lam) is the chairman of the AC. One out of four AC members, Dr. Loke Yu (alias Loke Hoi Lam) possesses recognised professional qualifications in accounting and has wide experience in audit and accounting.

No former partner of the Company's existing auditing firm acted as a member of the AC within two years 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 2018 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.

DIVIDEND POLICY

The Company adopts a dividend policy ("**Dividend Policy**"), taking into account all circumstances in particular the following factors before declaring or recommending dividends: (a) the current and projected financial performance of the Company; (b) the Company's growth and investment opportunities; (c) the availability of distributable amounts under the Company's constitution and applicable company laws; (d) other macro and micro economic factors; and (e) other factors and events which the Board may consider relevant from time to time.

The Board do not recommend the payment of any dividend in respect of the year.

DIRECTORS' REPORT

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 2018 and 2017 are set out in the consolidated statement of financial position on page 67 and note 22 to the consolidated financial statements respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

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

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.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(continued)*

HEALTH AND SAFETY

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

ENVIRONMENT PROTECTION

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

COMMUNITY INVOLVEMENT

The Group is committed to participating in community events from time to time, and to the improvement of community 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 2018.

On behalf of the Board

Zeng Yongguang
Executive Director

Hong Kong
26 March 2019

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 66 to 152 which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$165,597,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$39,131,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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$121,172,000 as at 31 December 2018 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
Allowance for expected credit losses assessment of trade receivables	
Refer to note 18 to the consolidated financial statements	
As at 31 December 2018, the Group had gross trade receivables with normal credit terms of approximately HK$282,669,000 and provision for allowance for expected credit losses of approximately HK$85,448,000. As at 31 December 2018, the Group had gross trade receivables with extended credit terms of approximately HK$87,547,000 and provision for allowance for expected credit losses of approximately HK$11,547,000. In general, the credit terms granted by the Group to the customers ranged between 30 to 180 days (2017: 30 to 180 days) on PCB customers and trading of towers and electric cable customer with normal credit term and credit period ranging from one year to ten years on its trade on LED customers with extended credit terms which is based on contractual repayment schedule. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expect credit loss assessment. We focused on this area due to the allowance for expect credit loss assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to management's assessment of the trade receivables as at 31 December 2018 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

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 THE 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, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Turnover	5	**340,415**	559,443
Cost of sales		**(336,115)**	(551,924)
Gross profit		**4,300**	7,519
Other income	6	**18,866**	22,976
Other gains and losses	7	**(71,487)**	(11,375)
Selling and distribution expenses		**(19,417)**	(21,265)
Administrative expenses		**(73,204)**	(65,474)
Finance costs	8	**(24,601)**	(38,728)
Loss before tax		**(165,543)**	(106,347)
Income tax expense	9	**(54)**	(36)
Loss for the year	10	**(165,597)**	(106,383)
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
(Deficit)/gain on revaluation of properties		**(8,440)**	6,441
Deferred tax assets/(liabilities) arising from revaluation of properties		**2,110**	(1,610)
		(6,330)	4,831
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**1,478**	(1,834)
Other comprehensive (loss)/income for the year		**(4,852)**	2,997
Total comprehensive loss for the year		**(170,449)**	(103,386)
Loss for the year attributable to:			
Owners of the Company		**(133,768)**	(98,458)
Non-controlling interests		**(31,829)**	(7,925)
		(165,597)	(106,383)
Total comprehensive loss attributable to:			
Owners of the Company		**(139,933)**	(97,006)
Non-controlling interests		**(30,516)**	(6,380)
		(170,449)	(103,386)
Loss per share			
Basic and diluted (in HK cents)	14	**(6.10)**	(7.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**156,213**	174,076
Prepaid lease payments — non-current portion	16	**16,998**	31,326
Trade receivables with extended credit terms	18(a)	**17,088**	30,713
		190,299	236,115
Current assets			
Inventories	17	**40,982**	46,982
Prepaid lease payments — current portion	16	**615**	934
Trade and other receivables	18(a)	**396,259**	528,130
Bills receivables	18(b)	**7,894**	16,708
Pledged bank deposits	19	**10,333**	22,453
Bank balances, deposits and cash	19	**21,150**	43,633
		477,233	658,840
Current liabilities			
Trade and other payables	20(a)	**268,903**	299,020
Contract liabilities	21	**14,263**	–
Bills payables	20(b)	**23,015**	47,797
Taxation payables		**64,781**	78,932
Bank borrowings — due within one year	22	**145,402**	156,386
		516,364	582,135
Net current (liabilities)/assets		**(39,131)**	76,705
Total assets less current liabilities		**151,168**	312,820
Non-current liability			
Deferred taxation	23	**14,503**	16,613
		14,503	16,613
Net assets		**136,665**	296,207

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	24	**226,520**	205,927
Reserves	25	**(50,539)**	96,800
Equity attributable to owners of the Company		**175,981**	302,727
Non-controlling interests		**(39,316)**	(6,520)
Total equity		**136,665**	296,207

The consolidated financial statements on pages 66 to 152 were approved and authorised for issue by the Board of Directors on 26 March 2019 and are signed on its behalf by:

Zeng Yongguang
Executive Director

Guo Jun Hao
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (note 25)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 25)	Special reserve HK$'000 (note 25)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 25)	Exchange reserve HK$'000	Accumulated (losses)/ profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 of properties	–	–	–	6,441	–	–	–	–	–	–	6,441	–	6,441
Deferred 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
Effect of adjustment on adoption of HKFRS 9	–	–	–	–	–	–	–	–	–	(10,576)	(10,576)	(2,280)	(12,856)
A 1 January 2018	205,927	566,877	470	47,926	15,003	1,156	25,512	1,893	14,966	(587,579)	292,151	(8,800)	283,351
Loss for the year	–	–	–	–	–	–	–	–	–	(133,768)	(133,768)	(31,829)	(165,597)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	(4,668)	–	(4,668)	1,313	(3,355)
Release on exchange differences upon disposal of subsidiaries	–	–	–	–	–	–	–	–	4,833	–	4,833	–	4,833
Deficit on revaluation at properties	–	–	–	(8,440)	–	–	–	–	–	–	(8,440)	–	(8,440)
Deferred tax liabilities arising from revaluation of properties	–	–	–	2,110	–	–	–	–	–	–	2,110	–	2,110
Total comprehensive expense for the year	–	–	–	(6,330)	–	–	–	–	165	(133,768)	(139,933)	(30,516)	(170,449)
Equity-settled share-based transaction	–	–	–	–	–	–	3,170	–	–	–	3,170	–	3,170
Issue of shares upon subscription, net	20,593	–	–	–	–	–	–	–	–	–	20,593	–	20,593
Lapse of share options	–	–	–	–	–	–	(2,363)	–	–	2,363	–	–	–
Subtotal	20,593	–	–	–	–	–	807	–	–	2,363	23,763	–	23,763
At 31 December 2018	226,520	566,877	470	41,596	15,003	1,156	26,319	1,893	15,131	(718,984)	175,981	(39,316)	136,665

Upon the adoption of HKFRS 9 "Financial instruments on 1 January 2018, an accumulated impact of HK$12,856,000 was recorded as an adjustment to the accumulated losses and non-controlling interests as at 1 January 2018, which represented the allowance for expected credit losses. Detail of the adjustment are set out in Note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(165,543)**	(106,383)
Adjustments for:			
Depreciation of property, plant and equipment	15	**13,217**	21,069
Interest expenses	8	**24,601**	38,728
(Gain)/Loss on disposal/written off of property, plant and equipment	7	**(430)**	453
Allowance for expected credit losses recognised on trade receivables	7	**70,186**	3,256
Allowance for expected credit losses recognised on other receivables	7	**3,650**	–
Imputed interest on trade receivables with extended credit terms	6	**(2,478)**	(3,089)
Interest income	6	**(542)**	(935)
Amortisation of prepaid lease payments	10	**615**	915
Reversal of allowance for expected credit losses previously recognised for trade receivables	7	**(1,074)**	(7,468)
Share based payment		**3,170**	3,476
Write-down of inventories	7	**2,286**	15,323
Gain on disposal of subsidiaries	7	**(1,931)**	–
Operating cash flow before movements in working capital		**(54,273)**	(34,655)
Decrease in inventories		**3,337**	7,286
Decrease/(increase) in trade and other receivables		**26,068**	(79,468)
Decrease/(increase) in bills receivable		**8,814**	(11,512)
(Decrease)/increase in trade and other payables		**(21,669)**	20,843
Increase in contract liabilities		**3,163**	–
Decrease in bills payable		**(24,782)**	(34,656)
Cash used in operations		**(59,342)**	(132,162)
PRC Enterprise Income Tax paid		**(54)**	(36)
NET CASH USED IN OPERATING ACTIVITIES		**(59,396)**	(132,198)
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**112,826**	155,670
Interest received		**542**	935
Proceeds from disposal of property, plant and equipment		**516**	642
Placement of pledged bank deposits		**(101,119)**	(100,054)
Purchase of property, plant and equipment		**(13,794)**	(2,732)
Proceed from sale of an associate, net		**–**	24,404
Net cash inflow on disposal of subsidiaries	38	**19,792**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES		**18,763**	78,865

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(249,500)**	(302,963)
Interest paid		**(24,601)**	(38,728)
Repayment of obligation under finance leases		**–**	(225)
Bank borrowings raised		**238,516**	325,881
Proceeds from issue of shares, net		**20,593**	–
Proceeds from issue of shares upon rights issue, net		**–**	130,752
Repayment of other Borrowings		**(71,902)**	(403,194)
Other borrowing raise		**104,132**	316,171
NET CASH GENERATED FROM FINANCING ACTIVITIES		**17,238**	27,694
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,395)**	(25,639)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**43,633**	67,761
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**912**	1,511
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Represented by bank balances, deposits and cash		**21,150**	43,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 37.

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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and an interpretation 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 2018

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

Amendments to HKFRSs that are Mandatory Effective for the Current year *(continued)*

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017** HK$'000	**HKFRS 9** HK$'000	**HKFRS 15** HK$'000	**1 January 2018** HK$'000
Non-current assets				
Trade receivables with extended credit terms	30,713	(752)		29,961
Current assets				
Trade and other receivables	528,130	(12,104)		516,026
Current liabilities				
Trade and other payables	299,020		(11,100)	287,920
Contract liabilities	–		11,100	11,100
Net current assets/(liabilities)	76,705	(12,856)		63,849
Net assets	296,207	(12,856)		283,351
Capital and reserves				
Reserves	302,727	(10,576)		292,151
Non-controlling interests	(6,520)	(2,280)		(8,800)
Total equity	296,207	(12,856)		283,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amendments to HKFRSs that are Mandatory Effective for the Current year *(continued)*

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, and (2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparable information was prepared under HKAS 39 Financial instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 as financial assets at fair value through profit or loss.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, bills and other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amendments to HKFRSs that are Mandatory Effective for the Current year *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Impairment under ECL model (continued)

Other financial assets measured at amortised cost

Other financial assets at amortised cost include bills receivables. The Group has applied the expected credit loss model to bills receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

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

The following tables summarised the impact, net of tax, of transition HKFRS 9 on the opening balance of accumulated losses as 1 January 2018 as follow:

	Accumulated losses HK$'000	**Non-controlling interests** HK$'000
As at 31 December 2017	**(577,003)**	**(6,520)**
Increase in expected credit loss ("**ECLs**") in		
— Trade receivables	**(9,014)**	**(2,270)**
— Other receivables	**(1,562)**	**(10)**
As at 1 January 2018	**(587,579)**	**(8,800)**

All loss allowances, trade receivables and other receivable as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables HK$'000	**Other receivables** HK$'000	**Total** HK$'000
At 31 December 2017-HKAS39	(16,598)	(3,196)	(19,794)
Amounts re-measured through opening			
— Reserves	(11,285)	(1,571)	(12,856)
At 1 January 2018-HKFRS9	(27,883)	(4,767)	(32,650)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amendments to HKFRSs that are Mandatory Effective for the Current year *(continued)*

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

— Sale of printed circuit boards ("PCB")

— Sale of light emitting diode ("LED") lighting

— Trading of tower and electric cable

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of HK$11,100,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 8	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

The above new HKFRSs are effective for the annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. Note of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

HKFRS 16 "Leases" *(continued)*

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 30, total operating lease commitment of the Group in respect of its office and factory premises as at 31 December 2018 was amounting to approximately HK$2,300,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial position.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Preparation of Financial Statements *(continued)*

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.

Going concern basis

The Group incurred a loss approximately HK$165,597,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$39,131,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) *Alternative sources of external funding*

On 17 January 2019, the Company and the subscribers entered into the subscription agreements pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have agreed to subscribe for, an aggregate of 453,039,495 subscription shares at the subscription price of HK$0.10 per subscription share. The net proceeds from subscription amount to approximately HK$45,100,000. As of the date of this report, all the conditions of the subscription agreements have been fulfilled and the completion of the subscriptions took place on 21 February 2019.

(2) *Necessary facilities*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Going concern basis *(continued)*

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Preparation of Financial Statements *(continued)*

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

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

Changes in the Group's Ownership Interests in Existing Subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition and Other Income Recognition (Applicable upon 1 January 2018)

Revenue from contracts with customers (Upon application of HKFRS15 on 1 January 2018)

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Revenue from the sale of printed circuit boards, tower and electric cable are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 days to 180 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition (Applicable before 1 January 2018)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, Plant and Equipment *(continued)*

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

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

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

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

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

Prepaid Lease Payments

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment Losses on Non-Financial Assets

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

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

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

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

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

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018)

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments 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 amount outstanding ("**SPPI**"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Amortised cost and effective interest method (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “Other income” line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) Trade and other receivables

(b) Bill receivables

(c) cash and bank balances

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Impairment of financial assets (continued)

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage I); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Measurement and recognition of ECLs (continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);

- Past-due status;

- Nature, size and industry of debtors;

- Nature of collaterals for finance lease receivables; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (under adoption of HKFRS 9 as at 1 January 2018) *(continued)*

Measurement and recognition of ECLs (continued)

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including other payables, amounts due to related companies, amount due to a related party and secured borrowings are subsequently measured at amortised cost using the 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 through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments (before 1 January 2018)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments (before 1 January 2018) *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments (before 1 January 2018) *(continued)*

Financial liabilities and equity instruments *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government Grants

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

Retirement Benefits Costs

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

Segment Reporting

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related Party Transactions *(continued)*

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 2018, the carrying amounts of property, plant and equipment are HK$156,213,000 (2017: HK$174,076,000), net of impairment losses of Nil (2017: Nil). Details are disclosed in note 15.

Estimated Allowance for Expected Credit Losses of Trade Receivables and Other Receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 29.

Fair Value Measurements and Valuation Processes

As set out in note 15, properties were revalued as at 31 December 2018 basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Income Tax and Deferred Taxation

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

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 2018 was HK$40,982,000, net of write down of HK$2,286,000 (2017: HK$46,982,000 (net of write down of HK$15,323,000)).

Valuation of Share Options

As explained in note 27, 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 2018

5. TURNOVER

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed, details refer to note 3.

	2018 HK$'000	2017 HK$'000
Disaggregation of revenue from contracts with customers		
An analysis of the Group's turnover is by types of goods as follows:		
Sales of printed circuit boards ("PCB")	306,112	365,603
Sales of light emitting diode ("LED") lighting	–	8
Tradings of tower and electric cable	34,303	193,832
Total revenue recognised at a point in time	340,415	559,443
Time of revenue recognition		
At a point in time	340,415	559,443
Over time	–	–
	340,415	559,443
Geographic market:		
The PRC	230,180	426,420
Hong Kong	60,658	62,373
Others	49,577	70,650
	340,415	559,443

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	542	935
Imputed interest on trade receivables with extended credit terms	2,478	3,089
Sales of scrap materials	10,639	13,932
Government grants (note)	–	2
Others	5,207	5,018
	18,866	22,976

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 2018

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Write-down of inventories	**(2,286)**	(15,323)
Net foreign exchange gain	**1,431**	26
Allowance for expected credit losses recognised on other receivables	**(3,650)**	–
Allowance for expected credit losses recognised on trade receivables with normal credit terms	**(70,186)**	(3,256)
Reversal of allowance for expected credit losses previously recognised on trade receivables with extended credit terms	**1,074**	7,468
Gain/(loss) on disposal/(written off) of property, plant and equipment	**430**	(453)
Gain on disposal of subsidiaries	**1,931**	—
Others	**(231)**	163
	(71,487)	(11,375)

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
— Bank and other borrowing wholly repayable within five years	**24,601**	38,701
— Obligations under finance leases	**–**	27
	24,601	38,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**54**	36
Hong Kong Profits Tax	**–**	–
	54	36

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(165,543)**	(106,347)
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**(41,386)**	(26,587)
Tax effect of expenses not deductible for tax purpose	**21,972**	2,022
Tax effect of income not taxable for tax purpose	**(56)**	(9)
Tax effect of tax losses not recognised	**17,208**	21,853
Tax effect of different tax rate of subsidiaries	**2,316**	2,757
Income tax expense	**54**	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration (note)	**80,043**	89,588
Retirement benefit schemes contributions (note)	**7,890**	9,358
Total employee expenses	**87,933**	98,946
Auditors' remuneration:		
audit service	**1,800**	1,800
non-audit service		
— Investment circular report	**–**	200
— Interim review	**–**	300
Cost of inventories recognised as an expense	**336,115**	551,924
Depreciation of property, plant and equipment	**13,217**	21,069
Research and development costs recognised as an expense	**487**	1,378
Amortisation of prepaid lease payments	**615**	915

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:

2018

	Guo Jun Hao (note b) HK$'000	Wang Shijin (note c) HK$'000	Chen Yongsen (note d) HK$'000	Chen Hua (note e) HK$'000	Zeng Yong Guang (note m) HK$'000	Anson Poon Wai Kong (note g) HK$'000	Li Hongxiang (note h) HK$'000	Xu Ming (note i) HK$'000	Wong Kwok On (note j) HK$'000	Cheung Wai Ka (note k) HK$'000	Loke Yu (note o) HK$'000	Mai Huazhi (note n) HK$'000	Total HK$'000
Fee	–	–	–	–	–	77	240	–	120	240	103	–	780
Salaries and other benefits	240	250	732	360	431	–	–	360	–	–	–	140	2,513
Share-based payments	35	352	352	35	–	35	35	177	35	35	–	–	1,091
Performance related incentive payment (Note a)	–	–	–	–	–	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	12	8	6	18	–	–	–	18	–	–	–	7	69
Total emoluments	287	610	1,090	413	431	112	275	555	155	275	103	147	4,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

2017

	Guo Jun Hao (note b) HK$'000	Wang Shijin (note c) HK$'000	Chen Yongsen (note d) HK$'000	Chen Hua (note e) HK$'000	Wong Wing Choi (note f) HK$'000	Anson Poon Wai Kong (note g) HK$'000	Li Hongxiang (note h) HK$'000	Xu Ming (note i) HK$'000	Wong Kwok On (note j) HK$'000	Cheung Wai Ka (note k) HK$'000	Chen Lei (note l) HK$'000	Total HK$'000
Fee	–	–	–	–	–	180	240	360	120	240	232	1,372
Salaries and other benefits	174	858	2,400	360	180	–	–	–	–	–	–	3,927
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:

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

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

(c) Mr. Wang Shi Jin was appointed as an executive director on 29 January 2015 and the Chief Executive Officer on 16 November 2015 and resigned as an Executive Director and the Chief Executive Officer on 5 June 2018.

(d) Mr. Chen Yongsen was appointed as an executive director on 12 August 2015 and was appointed as the Chairman on 16 November 2015 and resigned as an executive director and the Chairman on 20 April 2018.

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

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

(g) Mr. Anson Poon Wai Kong was appointed as an independent non-executive director on 1 June 2015 and resigned on 6 June 2018.

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

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

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

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

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

(m) Mr. Zeng Yongguang was appointed as an executive Director on 27 March 2018

(n) Mr. Mai Huazhi was appointed as an executive Director on 28 May 2018.

(o) Dr. Loke Yu was appointed as an independent non-executive Director on 6 June 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2017: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2017: three) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**1,500**	2,651
Retirement benefit schemes contributions	**23**	6
	1,523	2,657

	2018	2017
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
Above HK$1,500,001	**–**	1
	2	3

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

	2018	2017
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. DIVIDENDS

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

14. LOSS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the year	**(133,768)**	(98,458)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,192,418**	1,399,324

The basic and diluted loss per share are the same for the years ended 31 December 2018 and 2017. 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 2018

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 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)
Surplus on revaluation	–	2,519	–	–	–	–	–	2,519
At 31 December 2017 and 1 January 2018	9,914	132,297	371,974	2,430	6,936	8,104	96,247	627,902
Exchange alignment	(457)	–	–	–	–	–	–	(457)
Addition	–	–	6,993	–	–	–	6,801	13,794
Disposal/written off	–	–	(18,282)	–	(175)	–	–	(18,457)
Disposal of subsidiaries	(9,457)	–	–	–	–	–	–	(9,457)
Deficit on revaluation	–	(8,440)	–	–	–	–	–	(8,440)
As 31 December 2018	–	123,857	360,685	2,430	6,761	8,104	103,048	604,885
Comprising:								
At cost	–	–	360,685	2,430	6,761	8,104	103,048	481,028
At valuation — 2018	–	123,857	–	–	–	–	–	123,857
	–	123,857	360,685	2,430	6,761	8,104	103,048	604,885
DEPRECIATION AND IMPAIRMENT								
At 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)
At 31 December 2017 and 1 January 2018	–	–	349,601	1,977	6,594	8,014	87,640	453,826
Exchange alignment	–	–	–	–	–	–	–	–
Provide for the year	–	2,685	7,769	91	253	57	2,362	13,217
Disposal/written off	–	–	(18,212)	–	(159)	–	–	(18,371)
As 31 December 2018	–	2,685	339,158	2,068	6,688	8,071	90,002	448,672
CARRY VALUES								
At 31 December 2018	–	121,172	21,527	362	73	33	13,046	156,213
At 31 December 2017	9,914	132,297	22,373	453	342	90	8,607	174,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 2018. 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 2018 and 2017 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$83,638,000 (2017: HK$85,992,000).

The Group has pledged buildings having carrying amounts of HK$121,172,000 (2017: HK$132,297,000), to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Carrying value of investment properties 2018 HK$'000	2017 HK$'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties in the PRC	**121,172**	132,297	Level 3	Direct comparison method — based on price per square foot, using market observable comparable prices of similar properties ranging from HK$2,289 to HK$3,395 (2017: HK$2,350 to HK$3,200) 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$'000	**Fair value as at 31 December 2018 HK$'000**
Buildings in the PRC	**121,172**	**121,172**

	Level 3 HK$'000	Fair value as at 31 December 2017 HK$'000
Buildings in the PRC	132,297	132,297

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 2018

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2018 HK$'000	2017 HK$'000
Land use rights in the PRC under medium-term leases	**17,613**	32,260
Analysis for reporting purposes as:		
Non-current assets	**16,998**	31,326
Current assets	**615**	934
	17,613	32,260

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 2018, the Group has pledged the land use rights of carrying amount of HK$17,613,000 (2017: HK$18,228,000) to secure general banking facilities granted to the Group.

17. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**20,030**	21,741
Work in progress	**5,260**	9,153
Finished goods	**15,692**	16,088
	40,982	46,982

During the year ended 31 December 2018, obsolete inventories amounting to approximately HK$2,286,000 (2017: HK15,323,000) were written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and Other Receivables

	2018 HK$'000	2017 HK$'000
Trade receivables with normal credit terms	**282,669**	310,859
Less: Allowance for expected credit losses	**(85,448)**	(4,729)
	197,221	306,130
Trade receivables with extended credit terms	**87,547**	131,692
Less: Allowance for expected credit losses	**(11,547)**	(11,869)
	76,000	119,823
Total trade receivables, net of allowance for doubtful debts	**273,221**	425,953
Less: Non-current portion of trade receivables with extended credit terms	**(17,088)**	(30,713)
Current portion of trade receivables	**256,133**	395,240
Advances to suppliers	**8,236**	2,899
Value-added tax recoverable	**6,082**	13,950
	14,318	16,849
Other receivables (note iii)	**125,808**	116,041
	140,126	132,890
Trade and other receivables shown under current assets	**396,259**	528,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. 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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
0–30 days	**–**	–	**24,053**	36,833	**24,053**	36,833
31–60 days	**–**	–	**22,458**	56,423	**22,458**	56,423
61–90 days	**–**	–	**18,345**	42,492	**18,345**	42,492
91–180 days	**–**	–	**57,630**	73,356	**57,630**	73,356
Over 180 days	**76,000**	119,823	**74,735**	97,026	**150,735**	216,849
	76,000	119,823	**197,221**	306,130	**273,221**	425,953

Movement in the allowance for doubtful debts for normal credit terms

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

For the year ended 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,729,000. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(a) Trade and Other Receivables *(continued)*

For the year ended 31 December 2018

Movement in lifetime ECL that has been recognized for trade receivables with normal credit terms in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018.

	HK$'000
Balance as at 31 December 2017 under HKAS 39	**4,729**
Adjustment upon application of HKFRS 9	**10,533**
Adjusted balance as at 1 January 2018	**15,262**
Allowance for expected credit losses	**70,186**
Balance as at 31 December 2018	**85,448**

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. At 31 December 2017, around 86% 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 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
Overdue by:	
0–30 days	–
31–60 days	668
61–90 days	8,674
91–180 days	24,766
Over 180 days	8,651
Total	42,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(a) Trade and Other Receivables *(continued)*

Notes: *(continued)*

ii. Trade Receivables with Extended Credit Terms

At 31 December 2018, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$76,000,000 (2017: HK$119,823,000) 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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**43,557**	89,110
In the second to fifth year inclusive	**32,443**	30,713
	76,000	119,823

Included in the trade receivables with extended credit terms are balances of HK$38,456,000 (2017: HK$73,417,000) 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. At 31 December 2017, 31% 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 which are past due for which the Group has not provided for impairment loss at 31 December 2017. 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
Overdue by:	
0–30 days	19,818
31–60 days	–
61–90 days	–
91–180 days	200
Over 180 days	63,148
Total	83,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. 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 for doubtful debts for extended credit terms

	2017 HK$'000
Balance at beginning of the year	19,337
Impairment loss recognised on trade receivables	–
Impairment loss reversed	(7,468)
Balance at end of the year	11,869

For the year ended 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$11,869,000. The Group does not hold any collateral over these balances.

Movement in lifetime ECL that has been recognized for trade receivables with extended credit terms in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018.

	HK$'000
Balance as at 31 December 2017 under HKAS 39	11,869
Adjustment upon application of HKFRS 9	752
Adjusted balance as at 1 January 2018	12,621
Allowance for expected credit losses	–
Reverse of allowance for expected credit losses (note)	(1,074)
Balance as at 31 December 2018	11,547

Note: Reversal of allowance of expected credit losses is due to the Group's recovery of receivable.

iii. Movement in the Allowance for Doubtful Debts

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

For the year ended 31 December 2017, included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$3,196,000 receivable from debtors which have either been placed under liquidation or in severe difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

(a) Trade and Other Receivables *(continued)*

Notes: *(continued)*

iii. Movement in the Allowance for Doubtful Debts (Continued)

For the year ended 31 December 2018

Movement in lifetime ECL that has been recognized for other receivable in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018.

	HK$000
Balance as at 31 December 2017 under HKAS 39	**3,196**
Adjustment upon application of HKFRS 9	**1,571**
Adjusted balance as at 1 January 2018	**4,767**
Allowance for expected credit losses	**3,650**
Balance as at 31 December 2018	**8,417**

(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:

	2018 HK$'000	2017 HK$'000
0–30 days	**–**	–
31–60 days	**–**	–
Over 60 days	**7,894**	16,708
	7,894	16,708

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:

	2018 HK$'000	2017 HK$'000
United States dollars ("**US$**")	**43,232**	55,203
Renminbi ("**RMB**")	**126,085**	150,254
	169,317	205,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

As at 31 December 2018, the pledged bank deposits comprise deposits for the issue of bills payable of HK$10,333,000 (2017: HK$22,453,000). 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 1.40% (2017: 0.01% to 1.35%) 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:

	2018	2017
	HK$'000	HK$'000
US$	**7,527**	11,489
RMB	**19,908**	41,858
HK$	**4,048**	12,739
	31,483	66,086

Included in the pledged bank deposits and bank balances, deposits and cash were amounts in RMB of approximately HK$19,908,000 (2017: HK$41,858,000) which were not freely convertible into other currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. 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.

	2018 HK$'000	2017 HK$'000
0–30 days	**12,415**	29,728
31–60 days	**9,623**	23,109
61–90 days	**12,331**	18,177
91–180 days	**35,963**	18,292
Over 180 days	**49,994**	45,395
Total trade payables	**120,326**	134,701
Other payables (note)	**125,610**	144,079
Accrued salaries and other accrued charges	**22,967**	20,240
	268,903	299,020

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

Note: At the end of the reporting period, including in the Group's other payables is an amount of 55,122,000 (2017: HK$22,892,000) loan from other borrowers at interest rate ranged from 18% to 20% (2017: 18%) and repaid in accordance with the terms of the loan agreements. During the year ended 31 December 2018, HK$13,363,000 (2017: HK$21,305,000) interests were paid and recognised in the finance cost of consolidated statements of profit or loss.

(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:

	2018 HK$'000	2017 HK$'000
0–30 days	**–**	–
31–60 days	**–**	–
61–90 days	**8,564**	4,563
91–180 days	**14,378**	33,754
Over 180 days	**73**	9,480
	23,015	47,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. TRADE, BILLS AND OTHER PAYABLES *(continued)*

(b) Bills Payables *(continued)*

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:

	2018 HK$'000	2017 HK$'000
US$	**5,360**	–
RMB	**167,018**	47,797
	172,378	47,797

21. CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'000
Receipts in advance from customers	**14,263**	–

	Total HK$'000
Balance at 1 January (note)	11,100
Decrease in contract liability as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(11,100)
Increase in contract liabilities excluding amount recognised as revenue during the year	14,263
	14,263

Note: The contract liabilities HK$11,100,000 included in other payable as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans	**145,402**	156,386
Analysed as:		
Secured — Fixed rate borrowings	**145,402**	156,386
Unsecured	**–**	–
	145,402	156,386
Carrying amounts repayable within one year based on scheduled payment dates set out in the loan agreements	**145,402**	156,386
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)	**–**	–
	145,402	156,386
Less: Amounts due within one year shown under current liabilities	**(145,402)**	(156,386)
Amounts shown under non-current liabilities	**–**	–

The bank borrowings were secured by assets of the Group was disclosed in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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:

	2018 **HK$'000**	2017 HK$'000
RMB	**145,402**	156,386
	145,402	156,386

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

	2018	2017
Effective interest rates:		
Fixed-rate borrowings	**5.655 to 5.755%**	3.15 to 5.685%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. 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:

	2018 **HK$'000**	2017 HK$'000
Deferred tax liabilities	**(14,503)**	(16,613)

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 2017	(14,603)	(400)	(15,003)
Charge to other comprehensive income	(1,610)	–	(1,610)
At 31 December 2017 and 1 January 2018	(16,213)	(400)	(16,613)
Credit to other comprehensive income	2,110	–	2,110
At 31 December 2018	(14,103)	(400)	(14,503)

At 31 December 2018, the Group has unused tax losses of HK$134,732,000 (2017: HK$123,434,000) 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$474,849,000 (2017: HK$390,287,000). The deductible temporary differences arise due to impairment loss in respect of property, plant and equipment and trade receivables. No deferred tax asset has been recognised in relation to deductible temporary differences of HK$384,485,000 (2017: HK$379,723,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. SHARE CAPITAL

	Number of shares		Amount	
	2018	2017	**2018**	2017
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January and 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	**2,059,271**	1,029,636	**205,927**	102,964
Issue share subscriptions new shares (notes (ii))	**205,927**	–	**20,593**	–
Issue of rights share (note (i))	**–**	1,029,635	**–**	102,963
At 31 December	**2,265,198**	2,059,271	**226,520**	205,927

(i) 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.

(ii) On 31 May 2018, an aggregate of 205,927,043 Subscription Shares were allotted and issued to the Share Subscribers at the Subscription Price of HK$0.10 per Subscription Share. The net proceed will be used for settlement of the Group's loans and trade payable to suppliers as they fall due. Details of which were disclosed in the Company's announcements dated 10 May 2018 and 31 May 2018.

25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. RESERVES *(continued)*

(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 has no distributable reserve available to shareholders at 31 December 2018 (2017: HK$24,248,000).

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Bill payables	Other borrowings	Obligation under finance lease	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 and 1 January 2018	156,386	47,797	22,892	–	227,075
Accrued interest	**9,273**	**1,965**	**13,363**	**–**	**24,601**
Interest paid	**(9,273)**	**(1,965)**	**(13,363)**	**–**	**(24,601)**
Financing cash inflows	**238,516**	**90,450**	**104,132**	**–**	**433,098**
Financing cash outflows	**(249,500)**	**(115,232)**	**(71,902)**	**–**	**(436,634)**
At 31 December 2018	**145,402**	**23,015**	**55,122**	**–**	**223,539**

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27. 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 2018

27. SHARE OPTION SCHEME *(continued)*

		Exercised price since 25 July 2016	At 1 January 2017 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Laps/Forfeited during the period '000	Exercised price since 20 December 2017	Outstanding on 20 December 2017 '000	Laps/Forfeited since 20 December 2017 '000	Reclassification '000	At 31 December 2017 '000	Granted during the period '000	Reclassification '000	Exercised during the period '000	Laps/Forfeited during the period '000	At 31 December 2018 '000	Exercise period
Directors	2 September 2011	1.747	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(Note 3)
	22 October 2014	1.035	–	–	–	–	–	0.854	–	–	–	–	–	–	–	–	–	(Note 4)
	6 December 2017	–	–	32,000	–	–	–	0.178	32,000	–	(32,000)	–	–	–	–	–	–	(Note 1)
Subtotal			–	32,000	–	–	–		32,000	–	(32,000)	–	–	–	–	–	–	
Consultants	29 November 2010	2.807	1,570	–	–	–	–	2.316	1,903	–	–	1,903	–	–	–	–	1,903	(Note 2)
	22 October 2014	1.035	13,093	–	–	–	–	0.854	15,870	–	–	15,870	–	–	–	–	15,870	(Note 4)
	6 December 2017	–	–	33,000	–	–	–	0.178	33,000	–	–	33,000	–	–	–	–	33,000	(Note 1)
Subtotal			14,663	33,000	–	–	–		50,773	–	–	50,773	–	–	–	–	50,773	
Employees	2 September 2011	1.747	5,193	–	–	–	–	1.44	6,295	–	–	6,295	–	–	–	–	6,295	(Note 3)
	22 October 2014	1.035	5,713	–	–	–	–	0.854	6,924	–	–	6,924	–	–	–	–	6,924	(Note 4)
	6 December 2017	–	–	25,000	–	–	–	0.178	25,000	–	32,000	57,000	–	–	–	(21,000)	36,000	(Note 1 and 5)
Subtotal			10,906	25,000	–	–	–		38,219	–	32,000	70,219	–	–	–	(21,000)	49,219	
Total			25,569	90,000					120,992			120,992	–				99,992	
Exercisable at the end of the year			25,569									120,992					99,992	
Weighted average exercise price		1.29							0.40								0.45	

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 expire 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 expire in the 10th year after the date of grant.

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

Note 5: During the year ended 31 December 2018, total 21,000,000 share options were lapsed.

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28. 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.

29. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Measured at amortised cost		
Loans and receivables (including cash and cash equivalents)	**438,225**	605,363
Financial liabilities		
Amortised cost	**428,607**	482,954

(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 payables 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.

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29. 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:

	2018 **HK$'000**	2017 HK$'000
Assets		
US$	**49,019**	55,203
RMB	**140,484**	260,233
HK$	**40,275**	30,194
Liabilities		
US$	**5,359**	4,945
RMB	**316,072**	367,577

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For the year ended 31 December 2018

29. 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% (2017: 2%) against RMB, the Group's loss for the year ended 31 December 2018 would increase by HK$3,512,000 (2017: decrease by HK$1,610,000). If the HK$ strengthened by 2% (2017: 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 interest bearing other borrowing (see notes 20 and 22 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 19 for details) and its variable-rate bank borrowings and other borrowing (see note 20 and 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 2018

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk

As at 31 December 2018, 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 14% (2017: 69%) 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 4% (2017: 57%). 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 71% (2017: 69%) 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 31% (2017: 24%). 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 51% (2017: 61.3%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk (continued)

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

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 1 January, 2018						
Expected credit loss rate	0.10%	0.07%	0.39%	1.02%	11.51%	6.30%
Gross carrying amount (HK$'000)	36,833	56,423	42,492	73,356	233,447	442,551
Lifetime ECL	(40)	(43)	(168)	(750)	(26,882)	(27,883)
	36,793	56,380	42,324	72,606	206,565	414,668

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 31 December, 2018						
Expected credit loss rate	0.07%	0.04%	0.73%	0.97%	38.97%	26.19%
Gross carrying amount (HK$'000)	24,071	22,469	18,481	58,200	246,995	370,216
Lifetime ECL	(18)	(11)	(136)	(570)	(96,260)	(96,995)
	24,053	22,458	18,345	57,630	150,735	273,221

As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk (continued)

Other receivables

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

The movement of loss allowances for other receivables during the year are as follows:

	HK$'000
Balance as at 31 December 2017 under HKAS 39	**3,196**
Adjustment upon application of HKFRS 9	**1,571**
Adjusted balance as at 1 January 2018	**4,767**
Allowance of expected credit losses	**3,650**
Balance as at 31 December 2018	**8,417**

Pledged bank deposit and bank balance, deposit and cash

The credit risk on pledged bank deposit and bank balance, deposit and cash are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

Liquidity risk

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

The Group has net current liabilities of HK$39,131,000 as at 31 December 2018 (2017: net current assets of HK$76,705,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2018								
Non-derivative financial liabilities								
Trade and other payables	**18.06**	**–**	**255,843**	**–**	**–**	**–**	**255,843**	**245,927**
Contract liabilities	**–**	**–**	**14,263**	**–**	**–**	**–**	**14,263**	**14,263**
Bills payable	**–**	**–**	**23,015**	**–**	**–**	**–**	**23,015**	**23,015**
Bank and other borrowings								
— fixed rate	**5.70**	**–**	**152,371**	**–**	**–**	**–**	**152,371**	**145,402**
		–	**445,492**	**–**	**–**	**–**	**445,492**	**428,607**

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2017								
Non-derivative financial liabilities								
Trade and other payables	20.00	–	284,929	–	–	–	284,929	278,771
Bills payable	–	–	47,797	–	–	–	47,797	47,797
Obligations under finance leases	–	–	–	–	–	–	–	–
Bank and other borrowings								
— fixed rate	5.03	–	161,425	–	–	–	161,425	156,386
		–	494,151	–	–	–	494,151	482,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(continued)*

(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.

30. OPERATING LEASES

Operating Lease Commitments

The Group as lessee

Minimum lease payments paid under operating leases:

	2018 HK$'000	2017 HK$'000
Premises	**1,718**	2,150

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:

	2018 HK$'000	2017 HK$'000
Within one year	**1,700**	1,498
In the second to fifth year inclusive	**600**	793
	2,300	2,291

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. OPERATING LEASES *(continued)*

Operating Lease Commitments *(continued)*

The Group as lessor

During the year ended 31 December 2018, the Group did not earn any property rental income (2017: Nil).

31. 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:

	2018 **HK$'000**	2017 HK$'000
Buildings	**121,172**	132,297
Plant and machinery	**–**	7,376
Pledged bank deposits	**10,333**	22,453
Prepaid lease payments	**17,613**	18,228
	149,118	180,354

32. RETIREMENT BENEFITS SCHEMES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. MATERIAL RELATED PARTY DISCLOSURES

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

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:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**3,536**	5,605
Post-employment benefits	**73**	92
Share-based payments	**1,091**	1,236
	4,700	6,933

34. 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 trading 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 trading 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
- Trading of tower and electric cable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. SEGMENTAL INFORMATION *(continued)*

Segment Turnover and Results

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

	2018 HK$'000	2017 HK$'000
TURNOVER — external sales		
Single-sided PCB	**102,556**	107,433
Double-sided PCB	**159,371**	99,095
Multi-layered PCB	**44,185**	159,075
LED lighting	**–**	8
Tradings of tower and electric cable	**34,303**	193,832
Total	**340,415**	559,443
RESULTS		
Segment losses		
— Single-sided PCB	**(28,128)**	(15,900)
— Double-sided PCB	**(37,771)**	(14,666)
— Multi-layered PCB	**(10,472)**	(23,544)
— LED lighting	**(8,658)**	(19,297)
— Trading of tower and electric cable	**(57,073)**	8,691
	(142,102)	(64,716)
Other income	**3,364**	26
Central administrative costs	**(2,204)**	(2,929)
Finance costs	**(24,601)**	(38,728)
Loss before tax	**(165,543)**	(106,347)

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 2018

34. SEGMENTAL INFORMATION *(continued)*

Other Segment Information

Amounts included in the measure of segment results:

	2018 **HK$'000**	2017 HK$'000
Depreciation and amortisation		
— Single-sided PCB	**4,293**	5,929
— Double-sided PCB	**6,671**	5,469
— Multi-layered PCB	**1,849**	8,779
— LED lighting	**–**	457
— Trading of tower and electric cable	**–**	–
	12,813	20,634
— unallocated	**404**	1,350
	13,217	21,984
Net impairment loss/(amount recovered) recognised in respect of trade and other receivables		
— Single-sided PCB	**5,967**	–
— Double-sided PCB	**9,268**	–
— Multi-layered PCB	**2,570**	3,256
— LED lighting	**(1,302)**	(7,468)
— Trading of tower and electric cable	**56,259**	–
	72,762	(4,212)
Write-down of inventories		
— Single-sided PCB	**1,227**	–
— Double-sided PCB	**829**	–
— Multi-layered PCB	**230**	1,611
— LED lighting	**–**	13,712
— Trading of tower and electric cable	**–**	–
	2,286	15,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia:				
HK	**60,658**	62,373	**79**	248
Taiwan	**8,377**	9,399	**–**	–
The PRC (other than HK and Taiwan)	**230,180**	426,420	**173,132**	205,154
Other Asian countries	**15**	1,793	**–**	–
Europe:				
Austria	**8,561**	16	**–**	–
Hungary	**174**	7,907	**–**	–
Switzerland	**–**	1,361	**–**	–
Turkey	**17,128**	22,547	**–**	–
France	**4,541**	4,101	**–**	–
Germany	**663**	5,528	**–**	–
Other European countries	**5,919**	2,420	**–**	–
Others	**4,199**	15,578	**–**	–
	340,415	559,443	**173,211**	205,402

The non-current assets excluded trade receivables with extended credit terms.

Information About Major Customers

No customer of Group has individually contributed 10% or more of the Group during the year 2018 and no information about major customer is presented accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2018 **HK$'000**	2017 HK$'000
ASSETS		
Investments in subsidiaries	**128,094**	128,094
Amounts due from subsidiaries	**378,015**	532,930
Other receivables	**1,222**	6,011
Bank balances and cash	**1,077**	10,057
	508,408	677,092
LIABILITIES		
Amounts due to subsidiaries	**422,562**	412,169
Other payables	**4,139**	6,873
	426,701	419,042
Net assets	**81,707**	258,050
CAPITAL AND RESERVES		
Share capital	**226,520**	205,927
Reserves (note)	**(144,813)**	52,123
	81,707	258,050

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019 and are signed on its behalf by:

Zeng Yongguang	**Guo Jun Hao**
Executive Director	*Executive Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(continued)*

Note:

Reserves of the Company:

	Share premium	Capital redemption	Share option reverse	Capital contribution reserve	Contributed surplus	Accumulated (losses)/ profit	Total reserves
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 and 1 January 2018	566,877	470	25,512	1,893	145,058	(687,687)	52,123
Loss and total comprehensive expense of the year	–	–	–	–	–	(200,106)	(200,106)
Equity-Settled Share-based transaction	–	–	3,170	–	–	–	3,170
Release upon lapse of share option	–	–	(2,363)	–	–	2,363	–
At 31 December 2018	566,877	470	26,319	1,893	145,058	(885,430)	(144,813)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. 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.

(b) On 13 August 2018, TC Orient (Jiangsu) Optoelectronic Company Limited (達進東方(江蘇)光電有限公司) ("**TCO Jiangsu**"), a subsidiary of the Company, received a writ issued by 連雲港嘉鋭建築工程有限公司 (the "**Plaintiff**") against TCO Jiangsu and filed with Lianyungang City Lianyun District People's Court ("**Lianyungang Court**") together with the related court summons, whereby the Plaintiff alleged that TCO Jiangsu shall make a payment of RMB11,062,094.81 (approximately HK$12,863,000) to them in settlement of certain construction cost (the "**Jiangsu Legal Action**"). The Company has instructed its legal advisor to uphold its right in the Jiangsu Legal Action. In the meantime, the Board considers that the Jiangsu Legal Action is unlikely to result in any material adverse effect to the Company's operations or financial position.

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement to dispose its 100% equity interest in Best Pursue Holdings Limited ("**Best Pursue**"), TC Orient Jiangsu Holdings Company Limited ("**TC Orient (JS) Holdings**") and TCO Jiangsu to an independent third party (the "**Purchaser**") for cash consideration of HK$20,000,000. The disposal was completed on 31 December 2018. Details of disposal are set out in Note 38.

(c) In January 2019, 吳川榮森貿易有限公司 ("**Wuchuan Rongsen**"), a subsidiary of the Company, applied to Wuchuan City District People's Court (吳川市人民法院) ("**Wuchuan Court**") to have 廣東威立電力器材有限公司 ("**Guangdong Weili**") liquidated (the "**Liquidation Application**") due to its failure to repay trade receivables of RMB48,944,917 on or before 30 May 2018, despite its previous undertaking to Wuchuan Rongsen to do so pursuant to a settlement agreement (the "**Settlement Agreement**") entered into by the parties in December 2017. As a prudent measure, allowance for expected credit losses on trade receivables for the year ended 31 December 2018 was made in respect of the entire sum of trade receivables of approximately RMB48,945,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37. 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 Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
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 (notes 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 2018

37. 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 2018 and 2017, 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 2018, 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.

	2018 HK$'000	2017 HK$'000
Loss allocated to non-controlling interest of TC Orient (SZ) (note a)	**2,218**	6,443
Loss/(profit) allocated to non-controlling interest of RS (note b)	**30,212**	1,462
Individually immaterial subsidiaries	**(601)**	20
	31,829	7,925
Accumulated non-controlling interests TC Orient (SZ) (note a)	**(3,782)**	(1,564)
Accumulated non-controlling interests of RS (note b)	**(28,813)**	1,399
Individually immaterial subsidiaries	**(6,721)**	(6,355)
	(39,316)	(6,520)

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 2018

37. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(a) TC Orient (SZ)

	2018 **HK$'000**	2017 HK$'000
Current assets	**262,117**	267,468
Non-current assets	**88,652**	99,657
Current liabilities	**(349,668)**	(361,827)
Total equity	**1,101**	5,298
Revenue	**–**	8
Expenses	**(7,393)**	(21,486)
Loss for the year	**(7,393)**	(21,478)
Other comprehensive income for the year	**3,196**	–
Total comprehensive loss for the year	**(4,197)**	(21,478)
Net cash inflow from operating activities	**9,386**	30,733
Net cash inflow from investing activities	**–**	–
Net cash outflow from financing activities	**(8,993)**	(37,947)
Net cash inflow/(outflow)	**393**	(7,214)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(b) 吳川榮森貿易有限公司 (“RS”)

	2018 HK$’000	2017 HK$’000
Current assets	**8,272**	56,968
Non-current assets	**–**	4
Current liabilities	**(66,283)**	(53,345)
Total equity	**(58,011)**	3,627
Revenue	**27,575**	190,721
Expenses	**(89,233)**	(193,705)
Loss for the year	**(61,658)**	(2,984)
Other comprehensive loss for the year	**20**	–
Total comprehensive loss for the year	**(61,638)**	(2,984)
Net cash outflow from operating activities	**(41,837)**	(102,327)
Net cash inflow/(outflow) from investing activities	**2**	(4)
Net cash inflow from financing activities	**35,507**	93,062
Net cash outflow	**(6,328)**	(9,269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. Disposal of subsidiaries

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Best Pursue Holdings Limited ("**Best Pursue**"), TC Orient Jiangsu Holdings Company Limited ("**TC Orient (JS) Holdings**") and TC Orient Jiangsu LED Company Limited ("**TC Orient (JS)**") to an independent third party (the "**Purchaser**") for cash consideration of HK$20,000,000. The disposal was completed on 31 December 2018. Summary of the effects of the disposal is as follows:

	HK$'000
Total Consideration	20,000

Analysis of assets and liabilities over which control was lost:

	Acquiree's carrying amount and fair value HK$'000
NON-CURRENT ASSETS	
Property, plant and equipment	9,457
Prepaid lease payments — non-current portion	12,764
CURRENT ASSETS	
Inventories	48
Trade and other receivables	20,984
Prepaid lease payments — current portion	319
Amounts due to subsidiaries/fellow subsidiaries	(27,042)
Bank balances and cash	208
CURRENT LIABILITIES	
Trade and other payables	(20,681)
Taxation payables	(9,863)
Net liabilities	(13,806)
Release of exchange reserve upon disposal	4,833
	(8,973)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. Disposal of subsidiaries *(continued)*

	Acquiree's carrying amount and fair value HK$'000
Gain on disposal:	
Consideration receivable	20,000
Net liabilities disposal	13,806
Waiver of amounts due to Group	(27,042)
Release of exchange reserve upon disposal	(4,833)
	1,931
Net cash flow on disposal of subsidiary	
Consideration received in cash and bank balance	20,000
Less: cash and bank balance disposal of	(208)
	19,792

FINANCIAL SUMMARY

For the year ended 31 December 2018

RESULTS

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	705,921	533,608	395,450	559,443	**340,415**
Loss for the year	(116,419)	(84,431)	(92,522)	(98,458)	**(133,768)**

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,141,123	980,210	922,392	894,955	**667,532**
Total liabilities	(759,444)	(694,715)	(657,027)	(598,748)	**(530,867)**
Total equity	381,679	285,495	265,365	296,207	**136,665**
Equity attributable to owners of the Company	373,212	280,572	265,505	302,727	**175,981**
Non-controlling interests	8,467	4,923	(140)	(6,520)	**(39,316)**
	381,679	285,495	265,365	296,207	**136,665**