JU TENG INTERNATIONAL HOLDINGS LIMITED
巨騰國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3336

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Cheng Li-Yu *(Chairman)*
Mr. Cheng Li-Yen (Resigned on 1 March 2017)
Mr. Chiu Hui-Chin *(Chief Executive Officer)*
(Appointed on 1 March 2017)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh (Appointed on 1 March 2017)
Mr. Hsieh Wan-Fu (Resigned on 1 March 2017)
Mr. Lo Jung-Te (Resigned on 1 March 2017)
Mr. Tsui Yung Kwok

Independent Non-Executive Directors
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Authorised Representatives
Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

Company Secretary
Mr. Tsui Yung Kwok *CA, CPA, ACS*
(Resigned on 1 March 207)
Mr. Leung Ka Shing (Appointed on 1 March 2017)

Audit Committee
Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Remuneration Committee
Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Nomination Committee
Mr. Cheng Li-Yu *(Chairman)*
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Corporate Governance Committee
Mr. Yip Wai Ming *(Chairman)*
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu

Legal Advisers as to Hong Kong Laws
Chiu & Partners

Auditors
Ernst & Young

Principal Bankers
ANZ Bank
Bank of China
Bank SinoPac
CTBC Bank
DBS Bank
Fubon Bank
KGI Bank
OCBC Wing Hang Bank
Standard Chartered Bank
Sumitomo Mitsui Bank
Taishin International Bank

Registered Office
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business In Hong Kong
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1 Connaught Place, Central
Hong Kong

Principal Place of Business in the People's Republic of China
No.2 Gua Jing Road
Song Ling Town Economic Development District
Wu Jiang City, Jiang Su
The PRC

Principal Share Registrar And Transfer Office
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

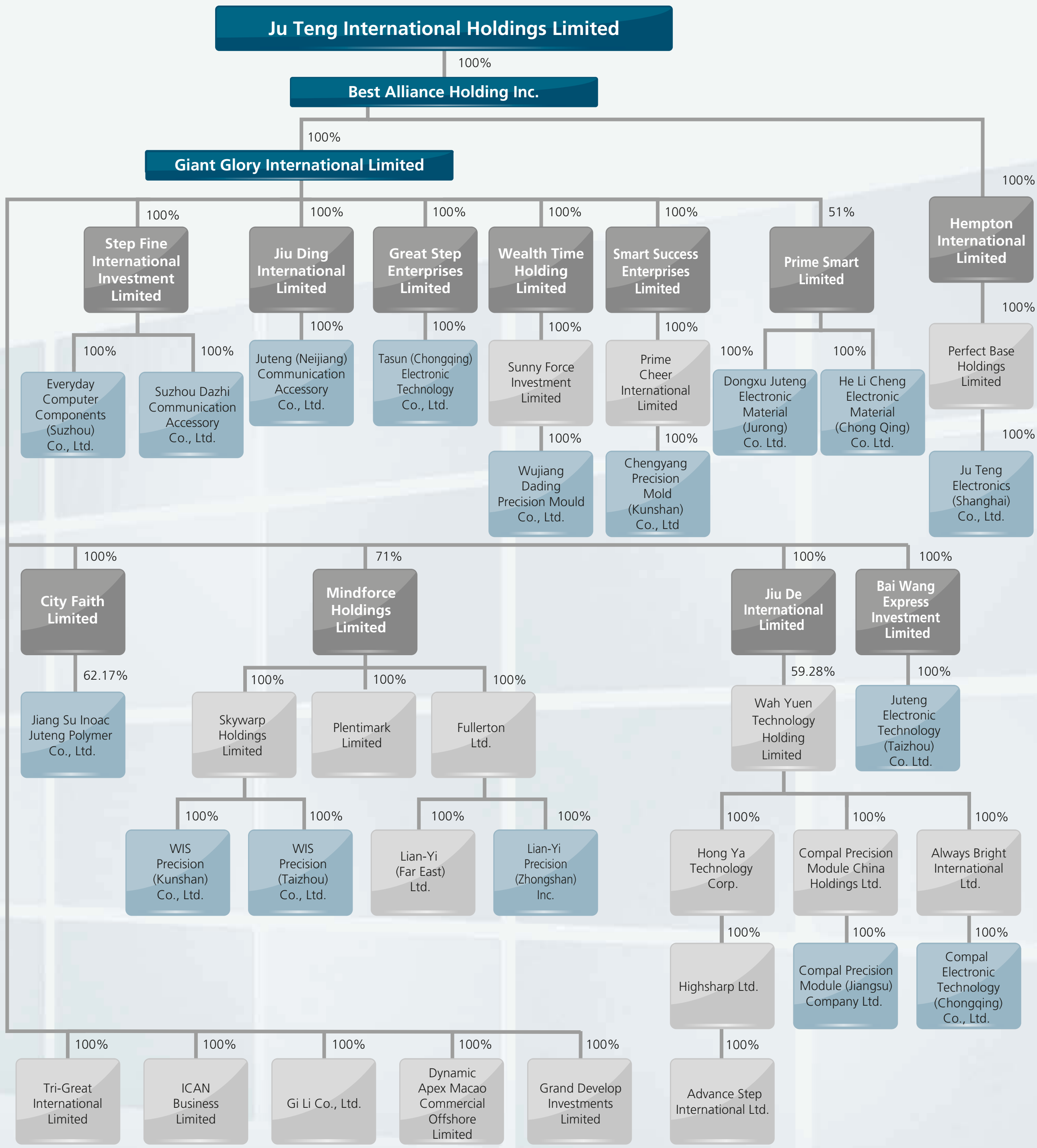
Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website
www.irasia.com/listco/hk/juteng

Stock Code
3336.HK and 9136.TT

GROUP STRUCTURE

As at 31 December 2017



FINANCIAL HIGHLIGHTS

	Notes	For the year ended 31 December 2017	2016	Changes
Operating Results:				
Revenue (HK$ million)		**7,752**	8,002	-3.1%
Profit attributable to equity holders of the Company (HK$ million)		**77**	501	-84.6%
Earnings per share				
Basic (HK cents)		**7.0**	45.1	-84.5%
Diluted (HK cents)		**6.9**	44.3	-84.4%
Dividends per share (HK cents)		**8**	10	-20%
Profitability Ratio:				
Gross profit margin		**14.2%**	16.8%	-2.6%
Operating profit margin	1	**3.8%**	7.7%	-3.9%
Net profit margin	2	**1.0%**	6.3%	-5.3%
EBITDA (HK$ million)		**1,411**	1,836	-23.1%
Return on equity	3	**1.2%**	7.8%	-6.6%
Liquidity and Capital Ratio:				
Inventory turnover days	4	**85**	71	19.7%
Trade receivables turnover days	5	**129**	132	-2.3%
Trade and bills payables turnover days	6	**51**	57	-10.5%
Interest coverage	7	**341.6%**	890.7%	-549.1%
Net debt to equity	8	**32.6%**	37.7%	-5.1%
Cash flows from operating activities (HK$ million)		**1,104**	1,897	-41.8%

Notes:

(1) Operating profit margin equals operating profit divided by revenue. Operating profit includes gross profit, net of selling and distribution expenses, and administrative expenses.

(2) Net profit margin equals profit attributable to equity holders of the Company divided by revenue.

(3) Return on equity equals profit attributable to equity holders of the Company divided by the average of the beginning and closing balance of equity attributable to equity holders of the Company.

(4) Inventory turnover days is equal to the closing balance of inventories divided by cost of sales and multiplied by the number of days in the year.

(5) Trade receivables turnover days is equal to the closing balance of trade receivables divided by revenue and multiplied by the number of days in the year.

(6) Trade and bills payables turnover days is equal to the closing balance of trade and bills payables divided by cost of sales and multiplied by the number of days in the year.

(7) Interest coverage ratio equals profit before tax and finance costs divided by finance costs.

(8) Net debt to equity equals net debt divided by net assets. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.

PC market continues six-year downward trend

According to recent statistics by Gartner Inc. ("Gartner"), a market research and advisory firm, global shipments of personal computers ("PC") were 2.8% down in 2017 compared to 2016, a six-year consecutive decrease since 2012. While the reduction in shipments was smaller compared to 2016, the overall PC market performance remained soft. As a global leading manufacturer of notebook computer casings, Ju Teng International Holdings Limited (the "Company" or "Ju Teng" with its subsidiaries (collectively, the "Group")) holds significant market share, but has struggled with negative performance due to the sluggish industry. For the year ended 31 December 2017, the Group's turnover decreased by approximately 3.1% to approximately HK$7,752 million, and gross profit declined to approximately HK$1,104 million, an approximately 17.8% drop compared to 2016 (2016: approximately HK$1,343 million).

Maintaining market share and optimizing product mix

In terms of product segments, notebook computer casings continue to be the Group's key product, by leveraging its latest research and development technologies, contributing to a stable turnover. Although Ju Teng's leading position in the PC industry has helped stabilizing orders, stagnant global PC shipments continued to impact the Group's growth. In 2017, the Group optimized its product mix to better align with market trends and changing demand. Since the 2-in-1 products are highly welcomed in 2017, the Group increased its production of 2-in-1 products.

Attributable to the matured technology owned by the Group, the Group's production quantity of plastic casings, its largest segment of the casing materials, compared to metal casings and composite material casings, remained stable. However, while the market trend has continued in 2017, the popularity of 2-in-1 products and demand for high-end PCs increased orders for metal casings. Additionally, composite material casings grew only slightly compared to metal casings, but the Group plans to continue promoting composite metal casings.

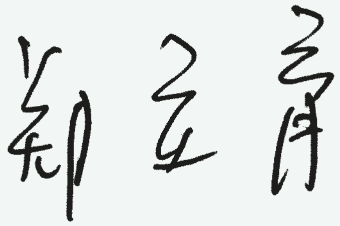
Group set to benefit as industry innovations contribute to PC shipment recovery

Despite 13 consecutive quarters of decline, the latest PC shipments in other regions signaled some recovery. Gartner reported that for the fourth quarter of 2017, PC shipment in the Asia Pacific, Japan, and Latin America increased, while shipment in Europe, Mid-East, and Africa saw moderate declines. Fourth quarter marketing statistics confirmed that PCs are no longer popular holiday gift items, but are rather more specialized, purpose-driven devices. PC buyers shift their focus on price of PCs to the quality and functionality. Ju Teng believes this shift in demand for high-end PCs will stimulate future consumption, and result in increasing orders for metal casings in the coming financial periods.

CHAIRMAN'S STATEMENT

In May 2017, Microsoft announced its plan to develop *Always Connected PCs*. This new type of PCs is designed to operate all day with improved battery life and the built-in LTE modems to stay connected to the Internet. The *Always Connected PCs* are expected to become a new growth driver for the stagnant PC market. The Group is optimistic about this development, and will pay close attention to market trends and demand for more innovative notebook computer casings. The Group will also continue optimizing its product mix to improve growth in profits.

On behalf of the Board, I would like to share our appreciation to all shareholders for their continued support and trust. I would also like to express my gratitude to our staff for their dedication which contribute to the Group's stable performance in all aspects. Looking ahead, Ju Teng will continue to endeavour for new opportunities for the benefit of its shareholders.



Cheng Li-Yu
Chairman

Hong Kong
16 March 2018

Business Review & Prospects

In 2017, the global shipment of personal computers remained depressed and the growth of demand maintained sluggish. Both research results generated by Gartner, Inc. ("Gartner") and International Data Corporation ("IDC"), market research institutions, showed that the global PC shipment continued to decline in 2017. As a global leading manufacturer of notebook computer casing, Ju Teng's business has been negatively influenced by the persistent shrinkage of the market and its overall performance was on a downward trend in 2017.

For the year ended 31 December 2017, the turnover of Ju Teng dropped by approximately 3.1% to approximately HK$7,752 million and the gross margin declined by approximately 2.6% compared to the previous year. The decline in revenue and gross margin was caused by various factors. On one hand, the continuous decline in the global PC shipment resulted in a decrease in the Group's revenue; on the other hand, an oversupply of production capacity contributed to an increase in the unit cost. Meanwhile, as the Group's plants are located in Mainland China, the appreciation of Renminbi ("RMB") during the year under review led to an increase in production and labor costs.

Although the global PC shipment registered another drop in 2017, the industry has been aware of its recovery signals. According to the data from IDC, PC shipment in 2017 has outperformed expectations and 2017 has been the most stable year since 2011. At present, despite the fact that prices have been rising due to higher component costs, driven by speed-up replacement of Windows 10, it is estimated that the PC market is set to return to growth in 2018. Coupled with the R&D of PC industry innovative product, namely Always Connected PC, and changes in purchasing purpose of the personal computer, Ju Teng believes that the PC market will be encouraging in the future. Ju Teng will continue to leverage its sophisticated market insights and pay closer attention to the industry trends.

Looking ahead, Ju Teng will continue to focus on its core business of notebook computer casing. Based on the current market trend, 2-in-1 computer products are increasingly popular among consumers. The Group will timely respond to such demand changes in both casing type and material preference, and keep expanding the R&D and production in 2-in-1 PC casings to increase the market share in 2-in-1 PC casings segment. In addition, Ju Teng will also actively look for new business development segments to fulfill different consumer needs so as to enhance its ability to cope with market risks.

Meanwhile, Ju Teng will maintain and promote the advanced production technology and years of industry experience accumulated in the plastic casing, stabilize the segment orders and market share, and reinforce the quality of plastic casing on the existing basis, to meet broader market demands. Moreover, the Group will further promote and develop both metal casing and composite material casing as they are expected to meet various requirements for different types of PCs. They are projected to be the growth driver for the Group in the future.

Despite the risks and challenges caused by the volatile external environment, Ju Teng's business and financial performance have remained stable. The Group was able to stay abreast of the market trends and adjust its product structure to meet market demand. In the future, in order to maintain its leading position in the notebook computer casing industry, Ju Teng will continue to keep close step with market trend, seize the opportunities brought by the PC upgrade, optimize product mix, and improve production capacity. The Group will further enhance its profit margins by lowering costs and increasing production efficiency. Having experienced the fluctuation of the market, Ju Teng will further strengthen its reputation as a leader in notebook computer casing industry. Ju Teng believes, with the gradual recovery of the PC industry, a healthier financial performance is expected.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Since the global demand for notebook computers remained sluggish, the market has continued to be in a downward trend. During the year, the Group's revenue slightly decreased by approximately 3.1% to approximately HK$7,752 million (2016: approximately HK$8,002 million). Resulting from the decrease in turnover and increase in production costs, the Group's gross profit margin during the year decreased to approximately 14.2% (2016: approximately 16.8%).

During the year, other income and gains of the Group mainly consisted of subsidy income of approximately HK$143 million (2016: approximately HK$146 million) and rental income of approximately HK$22 million (2016: approximately HK$9 million). Due to the incurrence of foreign exchange losses which was included in other expenses, as compared to foreign exchange gains of HK$103 million in 2016, the Group recorded a decrease of approximately 22.1% in other income and gains to approximately HK$213 million (2016: approximately HK$273 million) during the year, accounting for approximately 2.7% (2016: approximately 3.4%) of the Group's revenue.

Due to the recognition of approximately HK$22 million arising from the grant of share award pursuant to the share award plan adopted on 19 May 2017 (the "Share Award Plan") and appreciation of RMB during the year, the Group recorded an increase of approximately 11.5% in operating costs, including administrative expenses, and selling and distribution expenses, to approximately HK$811 million (2016: approximately HK$727 million). Therefore, the percentage of operating costs of the Group increased to approximately 10.5% (2016: approximately 9.1%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of losses on disposal of items of property, plants and equipment of approximately HK$8 million (2016: approximately HK$39 million), foreign exchange losses of approximately HK$99 million (2016: foreign exchange gains of approximately HK$103 million) resulting from the appreciation of RMB and employees' compensation of approximately HK$25 million (2016: approximately HK$0.4 million) due to downsizing moulding work force. As a result, the Group recorded an increase of approximately 177.5% in other expenses to approximately HK$134 million (2016: approximately HK$48 million), accounting for approximately 1.7% (2016: approximately 0.6%) of the Group's revenue.

Finance costs of the Group increased by approximately 15.2% to approximately HK$109 million (2016: approximately HK$94 million) for the year as compared to that of 2016, which was mainly attributable to the increase in loan interest rate. Interest capitalised during the year was approximately HK$8.8 million (2016: approximately HK$8.1 million).

Income tax expenses of the Group decreased by approximately 39.2% to approximately HK$95 million (2016: approximately HK$156 million) for the year as compared to that of 2016, resulting from the decrease in profit before tax. The Group's effective tax rate for the year was 36.3% (2016: 21.0%). The increase in effective tax rate was mainly because the deferred tax assets have not been recognized for certain tax losses.

The profit attributable to equity holders of the Company for the year amounted to approximately HK$77 million (2016: approximately HK$501 million), representing a decrease of approximately 84.6% when compared to that of last year. The decrease in the profit attributable to equity holders of the Company was mainly attributable to the decrease in the Group's gross profit and increase in administrative and other expenses.

Liquidity and Financial Resources

As at 31 December 2017, total bank borrowings of the Group amounted to approximately HK$4,469 million (31 December 2016: approximately HK$4,449 million). The Group's bank borrowings include short-term loans with 1-year maturity, 2-year term loans and 5-year revolving syndicated loans. As at 31 December 2017, the Group's bank loans denominated in United States dollar ("USD"), and New Taiwan Dollars were approximately HK$4,431 million (31 December 2016: approximately HK$4,417 million), and approximately HK$38 million (31 December 2016: approximately HK$32 million) respectively.

During the year, the Group's cash flows from operating activities decreased to approximately HK$1,104 million from approximately HK$1,897 million in 2016, which was mainly due to the decline in profit before tax and decrease in trade and bills payables. As a result of the purchase of fixed assets for the production capacity in Taizhou City and compensation income received for relocation of production plants, the Group recorded a net cash outflow from investing activities of approximately HK$469 million (2016: approximately HK$1,274 million). During the year, due to the purchase of the Company's share under the Share Award Plan, the Group recorded a net cash outflow from financing activities of approximately HK$450 million (2016: approximately HK$601 million). As at 31 December 2017, the Group had cash and bank balances of approximately HK$1,751 million (31 December 2016: approximately HK$1,529 million).

As at 31 December 2017, the Group's gearing ratio, calculated as total bank borrowings of approximately HK$4,469 million (31 December 2016: approximately HK$4,449 million) divided by total assets of approximately HK$15,636 million (31 December 2016: approximately HK$14,808 million) was approximately 28.6% (31 December 2016: approximately 30%). The decrease in gearing ratio was due to the increase in total assets.

Financial Ratios

Inventory turnover days of approximately 85 days (2016: 71 days) of the Group for the year was higher than that of 2016 due to the decline in sales. There was an increase in the Group's inventories of approximately 19.9% to approximately HK$1,546 million as at 31 December 2017 from approximately HK$1,289 million as at 31 December 2016.

Trade receivables turnover days of the Group during the year slightly decreased to approximately 129 days (2016: 132 days). Trade receivables as at 31 December 2017 decreased by approximately 4.6% to approximately HK$2,745 million (31 December 2016: approximately HK$2,876 million).

Trade and bills payables turnover days of the Group for the year decreased to approximately 51 days (2016: 57 days) due to early payment to suppliers in order to get better trade terms.

Pledge of Assets

As at 31 December 2017, certain land and buildings with a net carrying amount of approximately HK$22 million (2016: Nil) were pledged to secure banking facilities granted to the Group.

As at 31 December 2017 and 31 December 2016, shares of certain subsidiaries of the Company were pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB has negative effects on the Group's profitability. During the year, the Group recorded exchange losses of approximately HK$99 million (2016: exchange gains of approximately HK$103 million). The management of the Group will, nonetheless, continue to monitor the Group's foreign currency risk exposures and adopt prudent measures as appropriate to minimize the adverse effects arising from the foreign currency fluctuations.

Employees

As at 31 December 2017, the Group had approximately 32,000 employees (31 December 2016: approximately 34,000 employees). The Group recorded staff costs (excluding directors' remuneration) of approximately HK$2,144 million (2016: approximately HK$2,012 million).

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

Capital Commitment

As at 31 December 2017, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of land, buildings, machinery and office equipment amounted to approximately HK$206 million (31 December 2016: approximately HK$258 million).

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Risk factors likely to be faced and the measures to be taken

(1) Market risk

Casing products are one of the components for notebook computers and handheld devices. With the development of the technologies, notebook computers and handheld devices face the competition from new substitutes, leading to difficulties in the rebound of the market of notebook computers and handheld devices after the downturn in the past few years. The demand on casing products therefore remained weak, further affecting the profitability of the Group.

Following the principles of market-orientation, the Group will strive to develop new casing products to fulfil the new market opportunities. In the view of the new demand on metal casings with sleek, durable and high-ended features, the Group is continuously exploring new technologies and materials in production of the metal casings.

(2) Concentration risk on the product types

Casing products for the notebook computers and handheld devices are the major products of Ju Teng. In the past few years, the casing products provided a stable source of income to the Group. However, since the saturated market of notebook computers and handheld devices did not show significant growth, the global shipment of PC remains relatively weak. The sales of the Group is therefore still in the downward trend, resulting in significant fluctuation on the overall performance of Ju Teng.

In the view of the concentration risk on the product types, the Group will expand the product mix based on the market trends, improve the grading of the products, focus on new product development and look for any opportunities in the future to widen the sources of the income.

(3) Risk of keen competition arising from the slowdown demand

Slowdown demand on the casing products for the notebook computers results in fierce competition among the industry. Since 2015, due to the downturn of market of notebook computers and handheld devices, the demand on the casing products have become weak. In order to maintain the market share and price competitiveness, casing manufacturers have lowered the unit price of the casing products, resulting in adverse impact on the profitability of the industry.

In the view of the keen competition in the industry, the Group will make advancement in equipment, maintain good quality of the products and expand the product mix in order to gain good reputation in the industry.

(4) Risk on upward movement of the production cost in PRC

As the factories of the Group are mainly located in the PRC, the PRC production costs which are expected to be in upward trend in the future and are subject to the volatility of RMB exchange rate which will adversely affect the Group. Due to the keen competition of the casing product industry, the increase in the production cost cannot be fully shifted to the customers. As a result, the profitability of the Group will be adversely affected.

In the view of the upward trends on the labour and production cost, the Group purchased production robots these years in order to increase the production efficiency and reduce the reliance on the labour in production to minimize the effects on the inflation of manufacturing cost in the PRC.

(5) Environmental protection

The current environmental protection laws and regulations promulgated by the PRC government impose a progressive scale of fees for the discharge of waste materials and require the payment of fines for pollution and the closure of any facility which causes serious environmental problems. Production plants are required to have environmental protection facilities designed to operate simultaneously with the production facilities. Due to the nature of the businesses of the Group, a certain level of noise, certain amount of waste water and solid waste production materials will be produced during the production processes.

Therefore, the Group is required to satisfy tests carried out from time to time by relevant local environmental regulatory authorities for smoke emissions, noise level, solid waste disposal and waste water discharges. Non-compliance with any environmental laws, rules or regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties, or an order for cessation of production.

Supply chain management

Ju Teng holds supply chain management in high regard and strives to select quality suppliers through an open and transparent screening process to achieve mutual benefits. Under the same conditions, priority will be given to suppliers who stick to standard management practices and actively fulfil their social responsibility. In addition, all suppliers must provide their company background and product information for supervision and inspection by the Group. The Group will also review and assess the performance of suppliers annually to decide whether to continue cooperating with them, and such reviews will also be taken into consideration when identifying other suppliers.

Product liability and customers' relationship

Ju Teng maintains well-established quality inspection procedures to ensure all products to meet quality standards. Products from the production lines are subject to inspection by its quality management department before they are qualified for storage or delivery. The Group has also in place a set of product recall procedures to ensure that customer claims are properly addressed in case of quality issues.

The Group's customers are mainly global well-known notebook computer manufacturers and brand owners. They purchased products of the Group by way of a single order on request and therefore, the Group did not enter into any long-term sales contracts with any major customers. The Group has established good and long-term business relationship with the customers, and believe that these customers will continue to place the purchase orders to the Group. Meanwhile, the Group will actively seek for the new customers, in order to minimize the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

Occupational safety

The Group has formulated occupational safety management system and is in compliance with the Production Safety Law of the PRC and other requirements set out in relevant laws and regulations. The Group also holds educational activities of occupational safety including the publicity of relevant laws and regulations. Moreover, new employees have to receive safety orientation training and special operations staff such as electricians and forklift operators have to be certified. The Group also holds training on safety techniques, responsibilities and systems for staff in various positions from time to time.

Human resources management

Diverse staff allows Ju Teng to be flexible on serving customers around the world.

Each of the Ju Teng's management members is top talents in the industry, and possesses solid professional backgrounds. They serve as the backbone of the Group's development.

Ju Teng has a comprehensive internal promotion pipeline. To keep up with the market dynamics, it deploys talented executives through a system of human resources assessment, so that each of the staff may leverage its strengths, contribute to the swift growth, and maintain stable operation and flexibilities of the organization.

Ju Teng's culture emphasizes professional division of labour, team spirits and on-site management. Ju Teng pursues increasingly profound qualities and technologies through requirements on discipline and efficiency and maximization of the economies of scale.

The Group has operated a share option scheme since 2005. The previous share option scheme of the Company adopted in 2005 was terminated and a new share option scheme of the Company was adopted on 11 May 2015 pursuant to shareholders approval at the annual general meeting of the Company on 11 May 2015. The purpose of the scheme is to attract and retain eligible and well-performed participants, including employees and any company related person, and to motivate them to strive for future development and expansion of the Group. The scheme serves as an incentive encouraging participants to perform their best in achieving the goals of the Group and allows the participants to enjoy the results of the Group attained through their efforts and contributions. Offering share options to employees is also a way of recognizing employees' contributions. The Group strongly believes that the operation of the scheme can result in a boost in employees' loyalty and cohesiveness.

MANAGEMENT PROFILE

Set out below is the biographical details of the Directors and senior management of the Group as at the date of this annual report:

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 59, is the chairman of the Group and director of certain subsidiaries of the Group. Mr. Cheng Li-Yu is one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting 32 years ago. Mr. Cheng is responsible for the Group's overall corporate strategy planning, operation management, forecast and analysis of market trend and establishment of the Group's future development direction. Mr. Cheng is currently the director of Southern Asia Management Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report. Mr. Cheng Li-Yu was appointed as an executive Director on 15 July 2004.

Mr. Cheng is the cousin of Mr. Cheng Li-Chen, a senior management of the Group.

Mr. Chiu Hui-Chin (邱輝欽), aged 64, is an executive Director, Chief Executive Officer of the Group and director of certain subsidiaries of the Group. He was conferred a Master Degree in Industrial Engineering and Management in National Taipei University of Technology and EMBA in the Graduate Institute of Finance in National Taiwan University. He has more than 31 years of experience in notebook computer, and electronic products business. He joined the Group as executive Director and Chief Executive Officer on 1 March 2017, and is responsible for overall operation management of the Group. Prior to joining the Group, Mr. Chiu was a chief executive officer of Lite-on Technology Corporation, a company listed on the Taiwan Stock Exchange Corporation ("TSEC") until February 2017, and held top management position in various leading international brands and manufacturers of notebook computer, and electronic products. He has been a director of Silitech Technology Corporation (Stock Code: 3311.TT) and Dragonjet Corporation (Stock Code: 3280.TT), which are listed on the TSEC. Currently, Mr. Chiu is the chairman of council of Department of Industrial Engineering and Management Alumnus and council member of China Value Engineering Society (中華民國價值工程學會). Mr. Chiu was also awarded as the outstanding Alumnus of National Taipei University of Technology.

Mr. Huang Kuo-Kuang (黃國光), aged 57, is an executive Director and director of certain subsidiaries of the Group. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 25 years' experience in the computer industry. He is responsible for the planning of the Group's procurement strategy, as well as the execution and guidance of operation management. Mr. Huang was appointed as an executive Director on 10 June 2005.

Mr. Lin Feng-Chieh (林豐杰), aged 59, is an executive Director and director of a subsidiary of the Group. He was conferred a Master of Business Administration from University of Leicester in United Kingdom. Mr. Lin was a vice president of the Group and joined the Group in September 2011. He worked at Arima Computer Corporation from 1990 to 2005, during which he served as a senior vice president at the R & D center of notebook computer and was responsible for the leading and management of the R & D team to carry out development of notebook computer. He worked at Waffer Technology Co., Ltd., as the chief technology officer of the group and a general manager of Taiwan business from 2005 to 2007, during which he was responsible for planning of new technology R & D strategy of the group, and the operating strategic planning and operational management of the Taiwan business. He worked at Flextronics International Ltd., a computer business group, as a senior director of R & D center of notebook computer from 2007 to 2011, during which he was responsible for the leading and management of the mechanical design team to carry out the development of the notebook computer. He is currently responsible for monitoring the development of new technology-related businesses of the Group. Mr. Lin was appointed as an executive Director on 1 March 2017.

Mr. Tsui Yung Kwok (徐容國), aged 49, is an executive Director and director of a subsidiary of the Group, the chief financial officer and was the company secretary of the Group until his resignation as company secretary on 1 March 2017. He is responsible for the overall financial management of the Group. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining the Group in August 2004, Mr. Tsui had been the chief financial officer of a Hong Kong listed company and held a senior position in an international accounting firm in Hong Kong. He had over 24 years' experience in accounting and finance. He has been an independent non-executive director of Shenguan Holdings (Group) Limited (Stock code: 829) since 19 September 2009, SITC International Holdings Company Limited (Stock code: 1308) since 10 September 2010, 361 Degrees International Limited (Stock code: 1361) since 1 September 2012 and Cabbeen Fashion Limited (Stock code: 2030) since 18 February 2013. Mr. Tsui was appointed as an executive Director on 10 June 2005.

Independent non-executive Directors

Mr. Cherng Chia-Jiun (程嘉君), aged 63, graduated from the National Chengchi University with a Master's degree in Business Administration and a Bachelor of Science degree in Statistics. Mr. Cherng is currently an independent director of Azion Corporation, whose shares are traded on the Taiwan OTC Market and a part-time lecturer of Shih Chien University. He was also the director and President of Digital United Inc., whose shares are traded on the Taiwan Emerging Market until 16 March 2009. Furthermore, he was appointed as an independent director of FSP Technology Inc. since June 2011, whose shares are listed on TSEC. From 1979 to 1998, Mr. Cherng was with the Taiwan based Institute for Information Industry (III), serving in various capacities including general manager of the Network Business Group, director of the Technology Service Group, director of the Market Intelligence Center, and program director of the Technology Research Division. Mr. Cherng was also the director of Zinwell Corporation and the supervisor of AOpen Inc., both of these companies are listed on the TSEC. Mr. Cherng was appointed as an independent non-executive Director on 31 July 2008.

MANAGEMENT PROFILE

Mr. Tsai Wen-Yu (蔡文預), aged 65, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting, taxation and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He is also the supervisor of Hua Nan Commercial Bank, and is the independent director of Maywufa Company Ltd., a company listed on the TSEC. Mr. Tsai was appointed as an independent non-executive Director on 10 June 2005.

Mr. Yip Wai Ming (葉偉明), aged 52, is an independent non-executive Director. He has more than 26 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He has been appointed as an independent non-executive director of PAX Global Technology Limited (Stock code: 327) since December 2010, Far East Horizon Limited (Stock code: 3360) since March 2011, Poly Culture Group Corporation Limited (Stock code: 3636) since December 2013 and Yida China Holdings Limited (stock code: 3639) since June 2014. Mr. Yip was appointed as an independent non-executive Director on 25 May 2006.

Senior Management

Mr. Hsieh Wan-Fu (謝萬福), aged 54, is a senior vice president of the Group and director of a subsidiary of the Group. He joined the Group as senior vice president in 2003. He is responsible for the establishment of quality control system, supervision of the Group's production in spray painting, development of new technology in dust-free spray painting and promotion of the application of relevant technology in dust-free spray painting to the customers. Mr. Hsieh was appointed as an executive Director on 25 May 2006 and resigned on 1 March 2017.

Mr. Lo Jung-Te (羅榮德), aged 58, is a senior vice president of the Group and director of certain subsidiaries of the Group. He joined the Group as senior vice president in 2004. He is responsible for the supervision of the manufacture and development of the Group's automatic moulding. He is also responsible for assisting with the Group's improvement in manufacturing technology of injection moulding development, expansion of new markets and product design of non-notebook computer casing. Mr. Lo was appointed as an executive Director on 25 May 2006 and resigned on 1 March 2017.

Mr. Huang Cheng-Pin (黃正斌), aged 52, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. He joined the Group in 2003. Mr. Huang has over 20 years of experience in the banking field and is responsible for the Group's exports of products and imports of production materials. He also assists the board of Directors in the evaluation of investment projects as well as the Group's financial planning, funding and investor relationship matters .

Mr. Lu Fu-Hsing (呂福興), aged 52, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. He joined the Group in 2003. Mr. Lu has over 28 years of experience in quality control. He was appointed to assist Mr. Cheng Li-Yu in the development of the quality control system of the Group. He is also responsible for the design and enhancement of the Group's quality control, and the monitoring and rectification of the matters in relation to the operations and management of the Group.

Mr. Lee Ming-Kun (李明坤), aged 61, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. Mr. Lee joined the Group in 2013. He is responsible for management and supervision on new product development in the Group.

Mr. Liu Wei-Cheng (劉為政), aged 60, is an associate vice president of the Group who joined the Group in 2002. Mr. Liu has been working in the electronic goods casing industry for over 29 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency. He is also responsible for the project review on the source of development for injection moulding in progress. In addition, he helps coordinate the communication and liaison between the plastic injection moulding development unit and the injection moulding production unit.

Mr. Cheng Li-Chen (鄭立晨), aged 48, is an associate vice president of the Group and a director of a subsidiary of the Group. He joined the Group in 2002 and has been working in the plastic product surface coating industry for almost 30 years. Mr. Cheng is responsible for the planning of manufacturing process and production management of the surface coating for the Group's plastic casing products, the improvement in efficiency and cost reductions. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance the improvement in production yield in relation to all coating production facilities of the Group, and the overall operation management of factories in Taizhou.

Mr. Cheng is the cousin of Mr. Cheng Li-Yu, an executive Director.

Mr. Yeh Chih-Yuan (葉志原), aged 52, is an associate vice president of the Group who joined the Group in 2002. He has been working in the plastic product surface coating industry for over 28 years. Mr. Yeh is responsible for the planning of manufacturing process and production management of the surface coating for the Group's plastic casing products as well as enhancing efficiency and lowering costs. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all coating production facilities of the Group and the overall operation management of Compal Precision Module (Jiangsu) Company Limited, a non-wholly owned subsidiary of the Group.

Mr. Chu San-Tai (朱三泰), aged 45, is an associate vice president of the Group who joined the Group in 2003. He has 22 years of experience in quality control. He is responsible for the supervision of the Group's quality control department, all quality control system certifications, quality control system set-up, planning and maintenance, and the overall operation management of factories in Neijiang and Chongqing.

Company Secretary

Mr. Leung Ka Shing has been appointed as the Company Secretary with effect from 1 March 2017. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in November 2016 as Finance Manager and he has over 8 year experiences on accounting, auditing and corporate governance.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Ju Teng International Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (the "Subsidiaries" and together with the Company, the "Group") for the year ended 31 December 2017.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Business Review

Details of the business review of the Group for the year ended 31 December 2017 is set in the section headed "Management Discussion and Analysis" on pages 7 to 13 of this annual report.

Results and Dividends

The Group's profit for the year ended 31 December 2017 and the Group's financial position at 31 December 2017 are set out in the financial statements on pages 51 to 135 of this annual report.

The Directors recommend the payment of a final dividend of HK8 cents per share in respect of the year ended 31 December 2017 (2016: HK10 cents per share) to shareholders whose names appear on the register of members of the Company on 25 May 2018 subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 136 of this annual report. Such summary does not form part of the audited financial statements of the Group for the year ended 31 December 2017.

Share Capital And Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

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, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

Issue of Shares

During the year ended 31 December 2017, the Company issued a total of 12,842,000 ordinary shares of the Company for HK$0.97 pursuant to the exercise of subscription rights attached to the share options (the "Share Options") under the Share Options Scheme (the "Scheme") adopted on 11 May 2015 by the holder(s) of the Share Options. Details of the Scheme are set out in the paragraph headed "Share Option Scheme" in this report.

Distributable Reserves

As at 31 December 2017, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately HK$205,626,000.

Charitable Contributions

During the year, the Group made charitable contributions of approximately HK$117,000.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 80% of the revenue for the year and sales to the largest customer amounted to approximately 23% of the revenue for the year ended 31 December 2017. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. None of the Directors nor any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any interest in the Group's five largest customers or suppliers.

Directors

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

Executive Directors:

Mr. Cheng Li-Yu *(Chairman)*
Mr. Cheng Li-Yen (Resigned on 1 March 2017)
Mr. Chiu Hui-Chin *(Chief Executive Officer)* (Appointed on 1 March 2017)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh (Appointed on 1 March 2017)
Mr. Hsieh Wan-Fu (Resigned on 1 March 2017)
Mr. Lo Jung-Te (Resigned on 1 March 2017)
Mr. Tsui Yung Kwok

Independent non-executive Directors:

Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

In accordance with article 108(A) of the Company's articles of association, Mr. Lin Feng-Chieh, Mr. Tsui Yung Kwok, and Mr. Yip Wai Ming will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

According to code provision A.4.3 of Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders of the listed issuers. For the reason that Mr. Cherng Chia-Jiun has served as an independent non-executive Director for more than nine years, he will retire as Director, and he, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from all the three independent non-executive Directors namely, Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 14 to 17 of this annual report.

Directors' Service Contracts

Each of Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Chiu Hui-Chin and Mr. Lin Feng-Chieh, both being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 March 2017, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cherng Chia-Jiun, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 31 July 2008, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Tsai Wen-Yu, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 17 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yip Wai Ming, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of the Subsidiaries which is not determinable by the Company and the subsidiary(ies) within one year without payment of compensation, other than statutory compensation.

Directors' and Senior Managements' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the senior management of the Group by band during the year ended 31 December 2017 is set out below:

Remuneration bands	Number of senior management
HK$500,001 to HK$1,000,000	6
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
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Further details of the Directors' remuneration and the five highest paid employees are set out in notes 9 and 10 to the financial statements, respectively.

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed in note 36 to the financial statements, the section headed "Connected transactions and continuing connected transactions" and "Share Award Plan" in this report, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, the holding company of the Company or any of the Company's Subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company which were not contract of service with any Director or any person engaged in full-time employment of the Company were entered into or existed during the year.

Save as disclosed in note 36 to the financial statements, no contract of significance had been entered into between the Company, or any of the Subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company, or any of its subsidiaries.

Save as disclosed in note 36 to the financial statements, no contract of significance for the provision of services to the Group by any of the controlling shareholder of the Company or any of its subsidiaries was entered into.

Permitted Indemnity Provision

During the year ended 31 December 2017 and up to the date of this annual report, there was or is permitted indemnity provision (within the meaning in section 469 of the Hong Kong Companies Ordinance) in the articles of association of the Company being in force.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the the Listing Rules were as follows:

		Long positions Number of ordinary shares of HK$0.1 each (the "Shares") and underlying Shares held under equity derivatives				
Name of Directors		**Personal interests**	**Interests of spouse**	**Other interests** *(Note 1)*	**Total interests**	**Approximate percentage of the Company's issued share capital**
Mr. Cheng Li-Yu	Shares	20,000,000	7,064,046	303,240,986	330,305,032	28.78%
					330,305,032	28.78%
Mr. Cherng Chia-Jiun	Shares	210,000	–	–	210,000	0.01%
	Equity Derivatives:					
	Share Options *(Note 2)*	300,000	–	–	300,000	0.03%
					510,000	0.04%

Name of Directors		Long positions Number of ordinary shares of HK$0.1 each (the "Shares") and underlying Shares held under equity derivatives Personal interests	Interests of spouse	Other interests *(Note 1)*	Total interests	Approximate percentage of the Company's issued share capital
Mr. Chiu Hui-Chin	Shares	5,000,000	–	–	5,000,000	0.44%
					5,000,000	0.44%
Mr. Huang Kuo-Kuang	Shares	7,529,866	2,300,631	–	9,830,497	0.86%
	Equity Derivatives:					
	Share Options *(Note 2)*	1,000,000	–	–	1,000,000	0.08%
					10,830,497	0.94%
Mr. Lin Feng-Chieh	Shares	924,000	–	–	924,000	0.08%
	Equity Derivatives:					
	Share Options *(Note 2)*	1,500,000	–	–	1,500,000	0.13%
					2,424,000	0.21%
Mr. Tsai Wen-Yu	Shares	176,000	–	–	176,000	0.01%
	Equity Derivatives:					
	Share Options *(Note 2)*	300,000	–	–	300,000	0.03%
					476,000	0.04%
Mr. Tsui Yung Kwok	Shares	5,904,000	–	–	5,904,000	0.51%
	Equity Derivatives:					
	Share Options *(Note 2)*	1,000,000	–	–	1,000,000	0.09%
					6,904,000	0.60%
Mr. Yip Wai Ming	Shares	176,000	–	–	176,000	0.01%
	Equity Derivatives:					
	Share Options *(Note 2)*	300,000	–	–	300,000	0.03%
					476,000	0.04%

Notes:

1. The Shares and the underlying Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was beneficially owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yu. Mr. Cheng Li-Yu was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.

2. The share options granted by the Company (the "Share Options") are regarded for the time being as unlisted physically settled equity derivatives. Details of the Share Options are set out in the section headed "Share Option Scheme" below and note 28 to the financial statements.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in note 28 to the financial statements and save in the section headed "Share Award Plan" in this report, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are disclosed in note 28 to the financial statements.

The following share options were outstanding under the share option scheme which was adopted by the Company on 3 November 2005 and was terminated by resolutions of the shareholders of the Company on 11 May 2015 (the "Old Scheme"), and the new share option scheme which was adopted by the Company on 11 May 2015 (the "New Scheme") during the year:

	Number of share options									Closing price per Share
Name or category of participant	At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2017	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	immediately before the grant date
Directors										
Mr. Cherng Chia-Jiun	1,000	–	(1,000)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	35,000	–	(35,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	336,000	–	(36,000)	–	–	300,000				
Mr. Huang Kuo-Kuang	1,000	–	(1,000)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	251,000	–	(251,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	1,252,000	–	(252,000)	–	–	1,000,000				
Mr. Lin Feng-Chieh	160,000	–	(160,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	300,000	–	–	–	–	300,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	300,000	–	–	–	–	300,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	300,000	–	–	–	–	300,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	300,000	–	–	–	–	300,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	300,000	–	–	–	–	300,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	1,660,000	–	(160,000)	–	–	1,500,000				

Name or category of participant	Number of share options: At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2017	Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
Mr. Tsai Wen-Yu	1,000	–	(1,000)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	35,000	–	(35,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	336,000	–	(36,000)	–	–	300,000				
Mr. Tsui Yung Kwok	1,000	–	(1,000)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	251,000	–	(251,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	200,000	–	–	–	–	200,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	1,252,000	–	(252,000)	–	–	1,000,000				
Mr. Yip Wai Ming	1,000	–	(1,000)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	35,000	–	(35,000)	–	–	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	60,000	–	–	–	–	60,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	336,000	–	(36,000)	–	–	300,000				

Name or category of participant	Number of share options: At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2017	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Closing price per Share immediately before the grant date
Other employees										
In aggregate	130,700	–	(130,700)	–	–	–	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.93
	13,977,300	–	(11,939,300)	–	(2,038,000)	–	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.93
	30,000	–	–	–	(30,000)	–	9-7-2015	9-7-2015 to 31-8-2024	HK$3.29	HK$3.00
	30,000	–	–	–	(30,000)	–	9-7-2015	7-11-2015 to 31-8-2024	HK$3.29	HK$3.00
	380,000	–	–	–	(30,000)	350,000	9-7-2015	7-11-2016 to 31-8-2024	HK$3.29	HK$3.00
	378,000	–	–	–	(30,000)	348,000	9-7-2015	7-11-2017 to 31-8-2024	HK$3.29	HK$3.00
	12,002,000	–	–	–	(1,592,000)	10,410,000	9-7-2015	7-11-2018 to 31-8-2024	HK$3.29	HK$3.00
	12,058,000	–	–	–	(1,594,000)	10,464,000	9-7-2015	7-11-2019 to 31-8-2024	HK$3.29	HK$3.00
	12,032,000	–	–	–	(1,596,000)	10,436,000	9-7-2015	7-11-2020 to 31-8-2024	HK$3.29	HK$3.00
	12,058,000	–	–	–	(1,594,000)	10,464,000	9-7-2015	7-11-2021 to 31-8-2024	HK$3.29	HK$3.00
	12,106,000	–	–	–	(1,602,000)	10,504,000	9-7-2015	7-11-2022 to 31-8-2024	HK$3.29	HK$3.00
	75,182,000	–	(12,070,000)	–	(10,136,000)	52,976,000				
	80,354,000	–	(12,842,000)	–	(10,136,000)	57,376,000				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company in accordance with the rules of the Old Scheme and the New Scheme.

3. The weighted average closing share price immediately before the date on which the share options were exercised was HK$2.56 per share.

Share Award Plan

On 19 May 2017, a trust deed (the "Trust Deed") was entered into between the Company as settlor and Bank of Communications Trustee Limited as trustee (the "Trustee") in relation to the establishment of a trust (the "Trust") and adoption of a share award plan (the "Plan").The Board is pleased to announce that it has adopted the Plan to recognize the contribution by certain eligible participants and to attract suitable personnel for further development of the Group. The Company may make contribution to the Trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Plan, the Company may from time to time at its sole discretion subject to requirements under this Plan, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase Shares in the market at prevailing market price. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Plan.

The Plan is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Plan and the Trust Deed. The Plan does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Plan will remain in force for a period of 30 years since the date of adoption of the Plan. Early termination may be done by the Board.

On 16 June 2017, the Board resolved to grant a total of 6,800,000 awarded shares (the "Awarded Share") to four selected participants. Details are set out in the announcement of the Company dated of 16 June 2017.

Below is a summary of the particulars of Awarded Shares under the Plan during the Year:

			Number of Awarded Shares	
Date of grant	Number of Awarded Shares granted	Approximate percentage of the Company's share capital as at the Adoption Date	Vested as at 31 December 2017	Outstanding (held by the Trustee for the grantees) as at 31 December 2017
16 June 2017	6,800,000	0.6%	6,800,000	–

Substantial Shareholders' Interests in Shares

As at 31 December 2017, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long Position:

Name of shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Southern Asia	Beneficial owner	303,240,986	26.43%
Shine Century Assets Corp. *(Note 1)*	Interest of controlled corporations	303,240,986	26.43%
East Asia International Trustee Limited *(Note 1)*	Trustee (other than a bare trustee)	303,240,986	26.43%
Ms. Lin Mei-Li *(Note 2)*	Beneficial owner	7,064,046	0.61%
	Interest of spouse	323,240,986	28.17%
		330,305,032	28.78%
Bank of Communications Trustee Limited	Trustee	112,347,774	9.79%
Templeton Asset Management Ltd.	Investment Manager	66,396,000	5.79%
JP Morgan Chase & Co *(Note 3)*	Beneficial owner	5,864,000	0.51%
	Custodian/approved lending agent	72,095,425	6.28%
		77,959,425	6.79%

Short Position:

Name of shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
JP Morgan Chase & Co *(Note 3)*	Beneficial owner	2,699,500	0.24%

Lending Pool:

Name of shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
JP Morgan Chase & Co *(Note 3)*	Custodian/approved lending agent	72,095,425	6.28%

Notes:

1. The Shares and underlying Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was owned by the Cheng Family Trust, the trustee of which was East Asia International Trustees Limited. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. The Shares registered in the name of Southern Asia was also disclosed as the interest of Mr. Cheng Li-Yu in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above.

2. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

3. So far as the Directors are aware of and based on the disclosure of interest form filed by JP Morgan Chase & Co ("JPMC&C") on 20 September 2017, which was the latest disclosure of interest form filed by JPMC&C during the year ended 31 December 2017, these Shares were beneficially owned as to (i) 6,000 Shares (long position) by J.P. Morgan Whitefriars Inc. ("JPMWI"); (ii) 72,095,425 Shares (long position) by JPMorgan Chase Bank, N.A. ("JPMCBNA"); and (iii) 5,858,000 Shares (long position) and 2,699,500 Shares (short position) by J.P. Morgan Securities plc ("JPMSP").

   JPMWI was wholly owned by J.P. Morgan Overseas Capital Corporation, which was in turned wholly owned by J.P. Morgan International Finance Limited ("JPMIFL"). JPMIFL was wholly owned by Bank One International Holdings Corporation, which was wholly owned by J.P. Morgan International Inc. ("JPMII"). JPMII was wholly owned by JPMCBNA, which was in turned wholly owned by JPMC&C.

   JPMSP was owned as to 99.41% by J.P. Morgan Chase International Holdings ("JPMCIH") and 0.59% by J.P. Morgan Capital Financing Limited ("JPMCFL"). JPMCIH was wholly owned by J.P. Morgan Chase (UK) Holdings Limited which was wholly owned by J.P. Morgan Capital Holdings Limited ("JPMCHL"). JPMCHL was owned as to 72.73% by JPMIFL and 27.27% by J.P. Morgan Overseas Capital Corporation. JPMCFL was wholly owned by JPMC&C.

   JPMC&C was deemed to be interested in all the Shares in which JPMWI, JPMCBNA, and JPMSP were interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Connected Transactions and Continuing Connected Transactions

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year under review, the Group had conducted the following connected transaction and continuing connected transactions which were required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules:

(a) Pursuant to a master sales agreement dated as of 31 December 2008 entered into between Giant Glory International Limited ("Giant Glory"), an indirect wholly-owned subsidiary of the Company (for itself and on behalf of other members of the Group) and Wistron Corporation ("Wistron") (for itself and on behalf of other members of Wistron and its subsidiaries (the "Wistron Group")) on 23 January 2009, the Group agreed to sell the casings for electronic products and related materials manufactured and/or supplied by the Group (the "Products") to the Wistron Group, at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. On 31 October 2011, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2012 and ending on 31 December 2014 unless terminated earlier according to the terms and conditions of the agreement. On 10 December 2014, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2015 and ending on 31 December 2017 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK$528,037,000 for the year ended 31 December 2017 (2016: HK$805,703,000). On 27 December 2017, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2018 and ending on 31 December 2020 unless terminated earlier according to the terms and conditions of the agreement.

 Wistron is a substantial shareholder of Mindforce Holdings Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

(b) On 1 January 2009, Giant Glory (for itself and on behalf of other members of the Group) and Compal Electronics, Inc. ("Compal") and three of its subsidiaries (for themselves and on behalf of other members of Compal and its subsidiaries (the "Compal Group")) entered into a master sales agreement in relation to the sales of the Products by the Group to the Compal Group at prices to be determined from time to time by the Group and Compal (for itself and on behalf of the other members of the Compal Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The price of the Products shall be payable by the Compal Group to the Group in arrears on a 120 days' credit period by transferring to the Group's bank account. On 15 November 2011, Giant Glory (for itself and on behalf of other members of the Group) and Compal (for itself and on behalf of other members of Compal Group) entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2012 and ending on 31 December 2014 unless terminated earlier according to the terms and conditions of the agreement. On 30 December 2014, Giant Glory (for itself and on behalf of other members of the Group) and Compal (for itself and on behalf of other members of Compal Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2015 and ending on 31 December 2017 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Compal Group amount to approximately HK$1,536,583,000 for the year ended 31 December 2017 (2016: HK$1,533,477,000). On 27 December 2017, Giant Glory (for itself and on behalf of other members of the Group) and Compal (for itself and on behalf of other members of Compal Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2018 and ending on 31 December 2020 unless terminated earlier according to the terms and conditions of the agreement.

Compal is a substantial shareholder of Wah Yuen Technology Holding Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed in (a) and (b) above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the issue of this annual report.

Directors' Interests in Competing Businesses

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

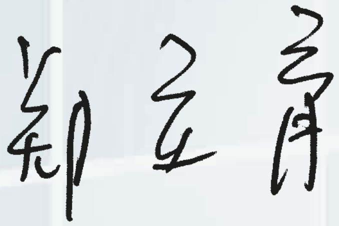
Audit Committee

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2017.

Auditors

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD



Cheng Li-Yu
Chairman
Hong Kong
16 March 2018

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Ju Teng International Holdings Limited (the "Company") continues to devote much effort on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company and its corporate governance committee (the "CG Committee") periodically review its corporate governance practices to ensure its continuous compliance with the CG Code. Save as disclosed below, the Company had complied with the code provisions of the CG Code for the year ended 31 December 2017 and up to the date of this annual report.

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Prior to 1 March 2017, Mr. Cheng Li-Yu was the chairman of the Board but the Company had not appointed any chief executive officer. As the Board would like Mr. Cheng Li-Yu, Chairman of the Company, to focus on his role for the Group's overall strategy planning, forecast and analysis of market trend and establishment of the Group's future development, Mr. Chiu Hui-Chin was appointed as an executive Director and the Chief Executive Officer of the Company to be responsible for the overall operation management of the Group with effect from 1 March 2017. Such arrangement would also be in line with the requirement in code provision A.2.1.

The Board will continue to review the management structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company in a timely manner accordingly.

Board of Directors

The Group is led by and controlled through the Board, which was constituted by a combination of five executive Directors and three independent non-executive Directors during the year ended 31 December 2017.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other. The independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules.

The Company has adopted and applied a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2017. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2017.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

There is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

Directors' Attendance Record at Meetings

Pursuant to Paragraph A.1.1 of the CG Code, the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2017, the Board convened a total of 12 Board meetings (exclusive of meetings of Board committee constituted by the Board held during the year) and 1 general meeting, i.e. the annual general meeting. The individual attendance record of the Directors at board meetings and general meeting of the Company is tabulated as follows:

	Board meeting		General meeting	
Name of Directors	Number of meeting held	Number of meeting attended	Number of meeting held	Number of meeting attended
Executive Directors				
Mr. Cheng Li-Yu *(Chairman)*	12	12	1	1
Mr. Cheng Li-Yen (Resigned on 1 March 2017)	1	1	N/A	N/A
Mr. Chiu Hui-Chin *(Chief Executive Officer)* (Appointed on 1 March 2017)	11	11	1	1
Mr. Huang Kuo-Kuang	12	12	1	0
Mr. Lin Feng-Chieh (Appointed on 1 March 2017)	11	9	1	0
Mr. Hsieh Wan-Fu (Resigned on 1 March 2017)	1	1	N/A	N/A
Mr. Lo Jung-Te (Resigned on 1 March 2017)	1	1	N/A	N/A
Mr. Tsui Yung Kwok	12	12	1	1
Independent non-executive Directors				
Mr. Cherng Chia-Jiun	12	11	1	0
Mr. Tsai Wen-Yu	12	11	1	0
Mr. Yip Wai Ming	12	11	1	1

Board committee meeting will be convened as and when necessary.

For the individual attendance record of the Directors at meetings of the CG Committee, nomination committee, audit committee and remuneration committee of the Board, please refer to the paragraphs headed "corporate governance committee", "nomination committee", "audit committee and accountability" and "remuneration committee", respectively, of this corporate governance report.

Continuous Professional Development of Directors

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company would arrange and fund suitable continuous professional development opportunities for Directors to develop and refresh their knowledge and skills. During the year ended 31 December 2017, the Company has arranged, and each of Directors, has attended training seminar provided by professional bodies.

Committees of the Board

As at 31 December 2017, the Board has four Board committees, namely, the CG Committee, the nomination committee (the "Nomination Committee"), the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"), for overseeing various aspects of the Company's affairs.

Each of the Board committees has been established with written terms of reference that state its authority and duties, which are available on the website of the Company and the Hong Kong Stock Exchange. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the Board committees for their practices, procedures and arrangements in conducting meetings.

Corporate Governance Committee

The Company has established the CG Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The CG Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Yip Wai Ming is the chairman of the CG Committee.

The CG Committee is mainly responsible for keeping the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The CG Committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practice in the Group.

The CG Committee convened one meeting for the year ended 31 December 2017 to review the policies and practices on corporate governance of the Group. The individual attendance record of each member of the CG Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Yip Wai Ming *(Chairman)*	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

Nomination Committee

The Company has established the Nomination Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The Nomination Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cheng Li-Yu is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and diversity of perspectives experience) of the Board at least annually and making recommendation to the Board for any proposed changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; making recommendations to the Board on various matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer of the Company; and making recommendations to the Board on the policy concerning the diversity of Board members, and the measurable objectives for implementing such policy.

The Board has adopted procedures for nomination of new director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of the new director by way of board meeting or written resolution. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

The Nomination Committee nominated Mr. Chiu Hui-Chin and Mr. Lin Feng-Chieh as executive Directors to the Board during the year. The Nomination Committee convened one meeting for the year ended 31 December 2017 to review the structure and composition of the Board, review a policy on board diversity adopted by the Board (the "Board Diversity Policy") pursuant to Paragraph A.5.6 of the CG Code and monitor the progress on achieving the measurable objectives (the "Measurable Objectives"). The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cheng Li-Yu *(Chairman)*	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Huang Kuo-Kuang	1	1

The Company and the Nomination Committee periodically review the Board Diversity Policy, and monitor the progress on achieving the Measurable Objectives which are set for implementing diversity on the Board. For the year ended 31 December 2017, the Company has achieved the following Measurable Objectives:

(a) To ensure the appropriate proportion of the independent non-executive Directors and the executive Directors in order to maintain the independence of the Board. In particular, at least one-third of the number of members of the Board shall be independent non-executive Directors;

(b) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(c) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;

(d) To ensure at least one-third of the members of the Board were or currently are director(s) of listed companies (including Hong Kong and other regions) other than the Company;

(e) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and Taiwan); and

(f) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

Audit Committee and Accountability

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, announcements regarding the inside information and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established the Audit Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. Mr. Cherng Chia-Jiun is the chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's risk management and internal control systems including the adequacy of resources, qualifications and experience of the Company's staff of accounting and financial reporting function and their training programmes and budget.

This committee is responsible for making recommendations to the Board for the i) appointment, reappointment or removal of the external auditors, ii) reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards and iii) reviewing the financial information of the Group. For the year ended 31 December 2017, the Audit Committee met with the external auditors to review and approve the audit plans. It also reviewed the Group's annual results of 2016 and interim results of 2017 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened a total of 5 meetings for the year ended 31 December 2017. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Cherng Chia-Jiun *(Chairman)*	5	4
Mr. Tsai Wen-Yu	5	5
Mr. Yip Wai Ming	5	5

Remuneration Committee

The Company has established the Remuneration Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Remuneration Committee currently consists of five members, namely, Mr. Cherng Chia-Jiun, Mr. Tsai-Wen Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cherng Chia-Jiun is the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration, bonuses and welfare benefits for the executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. For the year ended 31 December 2017, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened 2 meeting for the year ended 31 December 2017. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cherng Chia-Jiun *(Chairman)*	2	2
Mr. Tsai Wen-Yu	2	2
Mr. Yip Wai Ming	2	2
Mr. Cheng Li-Yu	2	2
Mr. Huang Kuo-Kuang	2	2

Auditors' Remuneration

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK$3,850,000 and non-audit service fees of approximately HK$1,533,000, respectively.

Directors' and Auditors' Acknowledgement

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the financial statements for the year under review.

Company Secretary

All Directors are entitled to the company secretary services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The Company Secretary is also in charge of preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolution and minutes will be sent to Directors for their records.

According to Rule 3.29 of the Listing Rules, the Company Secretary had taken no less than 15 hours of relevant professional training during the Reporting Period.

Internal Control

The Board is responsible for ensuring that sound and effective internal control systems are maintained within the Group. The Group had hired independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational functions, compliance control, asset management and risk management functions are in place and functioning effectively. With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted review of the internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2017 and are satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the Group's internal control systems and will continue to review the need for setting up an internal audit function.

Investor Relations and Shareholders' Communications

The Company enhances investor relations and communications through various channels. Information of the Company shall be communicated to the shareholders of the Company and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meeting and other meetings that maybe convened, during which the Directors and designated senior management will attend the meeting and respond to requests for information and queries from the shareholders of the Company and the investment community. The Chairman of the Board and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting and to answer any question if necessary.

Shareholders are encouraged to attend the annual general meeting of the Company. Notice of the annual general meeting and related papers shall be sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such documents shall be also made available on the Company's website (http://www.irasia.com/listco/hk/juteng) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Shareholders of the Company and the investor community may also contact the Company via email at the email address of the Company at ir@juteng.com.tw.

Shareholders' Rights

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(a) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(b) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@juteng.com.tw.

(c) The EGM shall be held within two months after the deposit of such Requisition.

(d) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

(a) Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

(b) Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@juteng.com.tw.

(c) Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

(a) To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@juteng.com.tw.

(b) The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

(c) The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(i) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(ii) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for slow-moving and obsolete inventories	
The Group's production materials (after provision for slow-moving and obsolete inventories) amounting to approximately HK$259.5 million as at 31 December 2017 mainly included plastic and resin materials, metal sheets and paint, which are the principal materials for use in production. Work in progress and finished goods (after provision for slow-moving and obsolete inventories) amounting to approximately HK$1,012.9 million as at 31 December 2017 were mainly notebook and tablet casings which were mostly subsequently delivered to customers' manufacturing plants for further assembly. Moulds and consumable tools amounting to HK$273.3 million (after provision for slow-moving and obsolete inventories) as at 31 December 2017 were manufactured for shaping the notebook and tablet casings. The reversal of provision for slow-moving and obsolete inventories for the year ended 31 December 2017 amounted to approximately HK$51.8 million. The slow-moving and obsolete inventory provision mainly arose due to the change in product design and for the older models whose production had been discontinued or identified as defective. Management reviews the condition of inventories of the Group and makes provision against slow-moving and obsolete inventory items which are identified as no longer suitable for sale or use on a half-year basis. We identified this as a key audit matter because the inventory balance and related provision were material to the consolidated financial statements, involved a high level of judgment and were subject to uncertainty due to rapid changes of the notebook and tablet computer market. Related disclosures are included in notes 4 and 18 to the consolidated financial statements.	We assessed the process, methods and assumptions used to develop the provision for slow-moving, excess or obsolete items. This includes comparing management's calculations for consistency against those used in the prior years. We evaluated the management's estimates based on the quantity of historical and subsequent usage. We tested the underlying data used by management to calculate the inventory obsolescence provision including evaluation of the ageing of the inventory. We also tested the provision calculation by assessing the criteria of provision and recalculating the provision for a sample of products.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The Group carried a goodwill of approximately HK$54.0 million as at 31 December 2017, which mainly arose from the acquisition of controlling interests in companies principally engaged in manufacture and sale of notebook computer casings. Management performs goodwill impairment test annually at the end of each financial year. We identified this as a key audit matter because the impairment assessment was largely based on management's expectations and estimates of future results of the cash-generating unit of manufacture and sale of notebook computer casings which the Group acquired in the past. These assumptions were affected by expectations of future market or economic conditions. Related disclosures are included in notes 4 and 16 to the consolidated financial statements.	Our audit procedures included evaluating the key assumptions related to forecast future cash flows, including future growth rates and the discount rates applied. In performing our audit procedures, we assessed the future cash flows and future growth rates by referring to the market comparables. We also assessed the discount rate applied by management by comparing with the available market information. We reviewed and compared historical financial performance of the cash-generating unit with the original forecasts to evaluate the reliability of the management's budgeting process. We also evaluated management's assessment of the sensitivity of the Group's impairment model to reasonably possible changes.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
Property, plant and equipment of HK$8,463 million carried as at 31 December 2017 were significant to our audit because this represents approximately 54% of the Group's total assets. Management assesses whether there are any indicators of impairment for the property, plant and equipment at the end of each reporting year. An impairment exists when the carrying values of the property, plant and equipment exceed their respective recoverable amounts. We identified this as a key audit matter because the impairment assessment was largely based on management's expectations and estimates of the expected future cash flows from the related cash-generating unit. The assumptions for the calculation of expected cash flows were affected by expectations of future market or economic conditions. Related disclosures are included in notes 4 and 14 to the consolidated financial statements.	Our audit procedures included evaluating management's assessment of impairment indicators for property, plant and equipment. For those assets that have indications of impairment, we have reviewed management's assessment of the recoverable amounts for the Group's property, plant and equipment. Our procedures included evaluating management's future cash flow projections and key assumptions; and performing sensitivity analyses on the forecasts. Further, as part of our audit procedures, we reviewed the discount rate used by the management to determine the value in use.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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

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

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

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

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

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

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chiu, Caroline Su Yuen.

Ernst & Young

Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	6	**7,751,797**	8,002,359
Cost of sales		**(6,647,762)**	(6,659,322)
Gross profit		**1,104,035**	1,343,037
Other income and gains	6	**212,988**	273,360
Selling and distribution expenses		**(109,333)**	(105,854)
Administrative expenses		**(702,063)**	(621,588)
Other expenses		**(134,451)**	(48,453)
Finance costs	7	**(108,661)**	(94,363)
PROFIT BEFORE TAX	8	**262,515**	746,139
Income tax expense	11	**(95,163)**	(156,412)
PROFIT FOR THE YEAR		**167,352**	589,727
Attributable to:			
Equity holders of the Company		**76,929**	500,586
Non-controlling interests		**90,423**	89,141
		167,352	589,727
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
– Basic (HK cents)		**7.0**	45.1
– Diluted (HK cents)		**6.9**	44.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**167,352**	589,727
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences related to foreign operations		**812,617**	(680,528)
Available-for-sale investment:			
Change in fair value	21	**10,265**	(9,017)
Income tax effect	17	**(1,162)**	909
Reclassification adjustment for losses included in the consolidated statement of profit or loss – impairment loss	21	**–**	3,415
		9,103	(4,693)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**821,720**	(685,221)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**989,072**	(95,494)
Attributable to:			
Equity holders of the Company		**770,155**	(59,361)
Non-controlling interests		**218,917**	(36,133)
		989,072	(95,494)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,462,966**	8,079,378
Lease premium for land	15	**596,427**	486,086
Goodwill	16	**53,985**	53,985
Deferred tax assets	17	**52,855**	5,727
Prepayments for acquisition of property, plant and equipment		**8,790**	73,172
Available-for-sale investment	21	**24,987**	14,581
Total non-current assets		**9,200,010**	8,712,929
CURRENT ASSETS			
Inventories	18	**1,545,656**	1,289,404
Trade receivables	19	**2,744,612**	2,875,870
Prepayments, deposits and other receivables	20	**354,903**	369,576
Pledged and restricted bank balances	22	**39,809**	31,459
Cash and cash equivalents	22	**1,750,770**	1,529,053
Total current assets		**6,435,750**	6,095,362
CURRENT LIABILITIES			
Trade and bills payables	23	**919,973**	1,041,913
Other payables and accruals	24	**1,491,665**	1,027,432
Tax payable		**200,547**	201,857
Interest-bearing bank borrowings	25	**2,463,662**	1,657,469
Total current liabilities		**5,075,847**	3,928,671
NET CURRENT ASSETS		**1,359,903**	2,166,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,559,913**	10,879,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**2,005,317**	2,791,440
Deferred income	26	**154,127**	302,787
Deferred tax liabilities	17	**52,084**	41,399
Total non-current liabilities		**2,211,528**	3,135,626
Net assets		**8,348,385**	7,743,994
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**114,755**	113,471
Reserves	29	**6,632,921**	6,248,731
		6,747,676	6,362,202
Non-controlling interests		**1,600,709**	1,381,792
Total equity		**8,348,385**	7,743,994

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to equity holders of the Company										
	Notes	Issued capital HK$'000 (Note 27)	Share premium account HK$'000 Note (c)	Employee share-based compensation reserve HK$'000 Note (c)	Statutory reserve fund HK$'000 Notes (a),(c)	Exchange fluctuation reserve HK$'000 Note (c)	Retained profits HK$'000 Note (c)	Available–for-sale investment revaluation reserve HK$'000 Note (c)	Other reserves HK$'000 Notes (b),(c)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		111,997	218,062	60,989	212,506	98,091	5,474,321	4,693	365,239	6,545,898	1,381,509	7,927,407
Profit for the year		–	–	–	–	–	500,586	–	–	500,586	89,141	589,727
Other comprehensive income for the year:												
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	–	(8,108)	–	(8,108)	–	(8,108)
Reclassification of adjustments for losses included in the consolidated statement of profit or loss – impairment loss		–	–	–	–	–	–	3,415	–	3,415	–	3,415
Exchange differences related to foreign operations		–	–	–	–	(555,254)	–	–	–	(555,254)	(125,274)	(680,528)
Total comprehensive income for the year		–	–	–	–	(555,254)	500,586	(4,693)	–	(59,361)	(36,133)	(95,494)
Acquisition of subsidiaries	31	–	–	–	–	–	–	–	–	–	36,416	36,416
Issue of shares in connection with the exercise of share options	27(i)	1,473	27,635	(14,820)	–	–	–	–	–	14,288	–	14,288
Issue of shares in connection with the exercise of warrants	27(ii)	1	6	–	–	–	–	–	–	7	–	7
Share issue expense		–	(9)	–	–	–	–	–	–	(9)	–	(9)
Share-based compensation arrangements	28	–	–	29,376	–	–	–	–	–	29,376	–	29,376
Transfer from retained profits		–	–	–	3,619	–	(3,619)	–	–	–	–	–
2015 final dividend		–	(167,997)	–	–	–	–	–	–	(167,997)	–	(167,997)
At 31 December 2016		113,471	77,697	75,545	216,125	(457,163)	5,971,288	–	365,239	6,362,202	1,381,792	7,743,994

		Attributable to equity holders of the Company											
	Notes	Issued capital HK$'000 (Note 27)	Share premium account HK$'000 Note (c)	Shares held under share award plan HK$'000 Note (c)	Employee share-based compensation reserve HK$'000 Note (c)	Statutory reserve fund HK$'000 Notes (a),(c)	Exchange fluctuation reserve HK$'000 Note (c)	Retained profits HK$'000 Note (c)	Available–for-sale investment revaluation reserve HK$'000 Note (c)	Other reserves HK$'000 Notes (b),(c)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		113,471	77,697	-	75,545	216,125	(457,163)	5,971,288	-	365,239	6,362,202	1,381,792	7,743,994
Profit for the year		-	-	-	-	-	-	76,929	-	-	76,929	90,423	167,352
Other comprehensive income for the year:													
Change in fair value of available-for-sale an investment, net of tax		-	-	-	-	-	-	-	9,103	-	9,103	-	9,103
Exchange differences related to foreign operations		-	-	-	-	-	684,123	-	-	-	684,123	128,494	812,617
Total comprehensive income for the year		-	-	-	-	-	684,123	76,929	9,103	-	770,155	218,917	989,072
Issue of shares in connection with the exercise of share options	27(i)	1,284	25,571	-	(14,398)	-	-	-	-	-	12,457	-	12,457
Purchase of shares under the share award plan		-	-	(329,898)	-	-	-	-	-	-	(329,898)	-	(329,898)
Share-based compensation arrangements	28	-	-	-	46,231	-	-	-	-	-	46,231	-	46,231
Employee share award plan – grant of award shares		-	-	21,080	(21,080)	-	-	-	-	-	-	-	-
2016 final dividend		-	(77,697)	-	-	-	-	-	-	(35,774)	(113,471)	-	(113,471)
At 31 December 2017		114,755	25,571	(308,818)	86,298	216,125	226,960	6,048,217	9,103	329,465	6,747,676	1,600,709	8,348,385

Notes:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profit after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.

(b) The other reserves comprise of capital reserves which represents profits of the Company's subsidiaries capitalised during the prior years and other capital reserve.

(c) These reserve accounts comprise the consolidated reserves of HK$6,632,921,000 (2016: HK$6,248,731,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**262,515**	746,139
Adjustments for:			
Finance costs	7	**108,661**	94,363
Interest income	6	**(21,594)**	(9,812)
Dividend income	6	**(361)**	(699)
Depreciation	8	**1,026,830**	983,657
Amortisation of lease premium for land	8	**12,923**	11,899
Loss on disposal of items of property, plant and equipment, net	8	**8,220**	38,827
Impairment of an available-for-sale investment	8	**–**	3,415
Impairment/(reversal of impairment) of trade receivables	8	**(50)**	4,931
Reversal of impairment of other receivables	8	**(320)**	–
Provision/(reversal of provision) for slow-moving and obsolete inventories, net	8	**(51,769)**	40,284
Recognition of deferred income		**(142,699)**	(143,188)
Equity-settled share option expenses	28(a)	**24,131**	29,376
Equity-settled share award expense	28(b)	**22,100**	–
		1,248,587	1,799,192
Increase in inventories		**(91,708)**	(107,708)
Decrease in trade receivables		**307,656**	73,319
Decrease in prepayments, deposits and other receivables		**55,200**	119,895
Increase/(decrease) in trade and bills payables		**(181,505)**	89,835
Increase/(decrease) in other payables and accruals		**(3,711)**	175,509
Cash generated from operations		**1,334,519**	2,150,042
Mainland China income tax paid		**(129,324)**	(159,427)
Overseas income tax paid		**(4,580)**	(224)
Withholding tax paid		**(512)**	(946)
Interest received		**21,594**	9,654
Interest paid		**(117,482)**	(102,505)
Net cash flows from operating activities		**1,104,215**	1,896,594

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,010,880)**	(1,217,912)
Purchases of lease premium for land		**(97,050)**	(83,295)
Proceeds from disposal of items of property, plant and equipment		**185,991**	60,477
Relocation compensation income received	24	**395,637**	–
Acquisition of subsidiaries	31	**–**	(30,814)
Dividend received		**361**	699
Redemption of principal-protected investment deposits		**–**	61,410
Decrease/(increase) in pledged bank balances and time deposits		**(7,060)**	5,590
Decrease/(increase) in prepayments for acquisition of property, plant and equipment		**64,382**	(70,138)
Net cash flows used in investing activities		**(468,619)**	(1,273,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,273,456**	3,438,212
Repayment of bank loans		**(2,292,807)**	(3,885,603)
Dividend paid		**(113,471)**	(167,997)
Proceeds from issue of shares in connection with the exercise of share options	27	**12,457**	14,288
Proceeds from issue of shares in connection with the exercise of warrants	27	**–**	7
Payment for share issue expenses	27	**–**	(9)
Purchase of shares held under the share award plan		**(329,898)**	–
Net cash flows used in financing activities		**(450,263)**	(601,102)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**185,333**	21,509
Cash and cash equivalents at beginning of year		**1,529,053**	1,541,485
Effect of foreign exchange rate changes, net		**36,384**	(33,941)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,750,770**	1,529,053
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**1,750,770**	1,529,053
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**1,750,770**	1,529,053

1. CORPORATE AND GROUP INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of casings for notebook computer and handheld devices. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Best Alliance Holding Inc. @^	British Virgin Islands ("BVI")/ The Republic of China (The "ROC")	US$52,600,000 Ordinary	100%	Investment holding
Giant Glory International Limited @	Samoa/ROC	US$49,777,419 Ordinary	100%	Investment holding
Step Fine International Investment Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Everyday Computer Components (Suzhou) Co., Ltd. *@	PRC	US$52,500,000	100%	Manufacture and sale of casings
Suzhou Dazhi Communication Accessory Co., Ltd. *@	PRC	US$108,500,000	100%	Manufacture and sale of casings
Jiu De International Limited @	Samoa/ROC	US$12,800,000 Ordinary	100%	Investment holding
Jiu Ding International Limited @	Samoa/ROC	US$40,000,000 Ordinary	100%	Investment holding
Ju Teng (Neijiang) Communication Accessory Co., Ltd. *@	PRC	US$99,000,000	100%	Manufacture and sale of casings
Tri-Great International Limited @	Samoa/ROC	US$1,000,000 Ordinary	100%	Sale of casings and related materials

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
ICAN Business Limited @	BVI/ROC	US$1,500,000 Ordinary	100%	Sale of casings and related materials
Gi Li Co., Ltd. @	ROC	NT$105,000,000 Ordinary	100%	Sale of casings and related materials
Hempton International Limited @	Samoa/ROC	US$3,500,000 Ordinary	100%	Investment holding
Perfect Base Holdings Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Ju Teng Electronics (Shanghai) Co., Ltd. *@	PRC	US$12,500,000	100%	Manufacture and sale of casings
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	100%	Provision of general administrative and support services
Mindforce Holdings Limited ("Mindforce") @	BVI/ROC	US$75,101,000	71%	Investment holding
Skywarp Holdings Limited	Hong Kong	HK$1,200,000,000 Ordinary	71%	Investment holding
WIS Precision (Kunshan) Co., Ltd. *@	PRC	US$25,000,000	71%	Manufacture and sale of casings
WIS Precision (Taizhou) Co., Ltd. *@	PRC	US$69,800,000	71%	Manufacture and sale of casings
Plentimark Limited @	BVI/ROC	US$50,000 Ordinary	71%	Sale of casing and related materials

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Dynamic Apex Macao Commercial Offshore Limited @	Macau	MOP100,000	100%	Sale of casing and related materials
Smart Success Enterprises Limited @	Samoa/ROC	US$6,000,000 Ordinary	100%	Investment holding
Prime Cheer International Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Chengyang Precision Mold (Kunshan) Co., Ltd. *@	PRC	US$33,000,000	100%	Manufacture and sale of moulds
Fullerton Ltd. @	Samoa/ROC	US$31,749,800 Ordinary	71%	Investment holding and sale of computer equipment and peripherals
Lian-Yi (Far East) Ltd. @	ROC	NT$5,000,000 Ordinary	71%	Sales of computer equipment and peripherals
Lian-Yi Precision (Zhongshan) Inc. *@	PRC	US$33,400,000	71%	Manufacture and sales of computer equipment and peripherals
Wah Yuen Technology Holding Limited ("Wah Yuen") @	Mauritius/ROC	US$261,758,240 Ordinary	59.28%	Investment holding
Hong Ya Technology Corp. @	ROC	NT$475,577,800 Ordinary	59.28%	Manufacture and sale of casings

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Highsharp Ltd. @	Samoa/ROC	US$10,000 Ordinary	59.28%	Investment holding
Advance Step International Ltd. @	Samoa/ROC	US$5,000 Ordinary	59.28%	Sales of casings and related materials
Compal Precision Module China Holdings Ltd. @	Mauritius/ROC	US$236,267,926 Ordinary	59.28%	Investment holding and sales of casings and related materials
Compal Precision Module (Jiangsu) Company Limited *@	PRC	US$410,000,000	59.28%	Manufacture and sale of casings
Always Bright International Ltd.@	Samoa/ROC	US$60,000,000	59.28%	Investment holding
Compal Electronic Technology (Chongqing) Co., Ltd *@	PRC	US$60,000,000	59.28%	Manufacture and sale of casings
City Faith Limited @	Samoa/ROC	US$1,000,000 Ordinary	100%	Investment holding
Jiang Su Inoac Juteng Polymer Co., Ltd. *@	PRC	US$6,000,000	62.17%	Manufacture and sale of materials
Wealth Time Holding Limited @	BVI/ROC	US$15,000,000 Ordinary	100%	Investment holding
Sunny Force Investment Limited	Hong Kong	HK$117,000,000	100%	Investment holding
Wujiang Dading Precision Mould Co., Ltd. *@	PRC	US$80,000,000	100%	Manufacture and sale of casings

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Great Step Enterprises Limited @	Samoa/ROC	US$90,000,000 Ordinary	100%	Investment holding
Tasun (Chongqing) Electronic Technology Co., Ltd. *@	PRC	US$90,000,000	100%	Manufacture and sale of casings
Prime Smart Limited @	Samoa/ROC	US$1,000,000 Ordinary	51%	Investment holding
Dongxu Juteng Electronic Material (Jurong) Co. Ltd. *@	PRC	US$1,000,000	51%	Manufacture and sale of materials
He Li Cheng Electronic Material (Chong Qing) Co. Ltd. *@	PRC	US$700,000	51%	Manufacture and sale of materials
Bai Wang Express Investment Limited @	BVI/ROC	US$99,000,000 Ordinary	100%	Investment holding
Juteng Electronic Technology (Taizhou) Co., Ltd. *@	PRC	US$99,000,000	100%	Manufacture and sale of casings

* Registered as wholly-foreign-owned enterprises under the PRC law
@ Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network
^ Directly held by the Company

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of the amendments to HKAS 7 and HKAS 12, the adoption of the above revised standard has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 32(b) to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are not expected to have any significant impact on the Group's financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 *Business Combinations*[2] – HKFRS 11 *Joint Arrangements*[2] – HKAS 12 *Income Taxes*[2] – HKAS 23 *Borrowing Costs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. While historical credit losses are immaterial, the adoption of an expected credit loss model impairment model may result in earlier recognition of credit losses from the Group's trade receivables.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 9, issued in December 2017, allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The Group expects to adopt these amendments from 1 January 2019 and to apply the exemption from restating comparative information of prior periods. Any difference between the previous carrying amount and the adjusted carrying amount will be recognised in the opening balance of equity. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. The Group's current accounting policy is consistent with this clarification and therefore the adoption of the amendments is not expected to have any impact on the Group.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales. The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

Apart from the above, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and measurement of revenue recognised in the future reporting periods. The Company anticipates that the application of HKFRS 15 in the future may result in more disclosures.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As set out in note 34, at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings and motor vehicles amounted to approximately HK$3,530,000 and HK$160,000, respectively. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group does not hold any investment property, so the amendments are not expected to have any impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees employed by the Group's subsidiary in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme under the Labor Pension Act (the "Act") for its employees employed by the Group's subsidiary in ROC. Based on the Act, the Group's monthly contribution to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labour pension accounts at the Bureau of Labor Insurance.

Share-based payments

The Company operates share option schemes and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 28 to the financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control, or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) 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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land premiums for land under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Transfer of assets

Where the Group receives non-monetary assets transferred from its customers or equivalent and the Group has to provide ongoing access to a supply of goods or services, the related assets are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss as revenue over the expected useful lives of the relevant assets by equal annual instalments, while a deferred income account is credited and is released to the statement of profit or loss as revenue over the expected useful life of the relevant asset.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Write-down of inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position as at 31 December 2017 was HK$1,545,656,000 (2016: HK$1,289,404,000), details of which are set out in note 18 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Current tax and deferred tax

The Group is subject to income taxes in Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Property, plant and equipment and depreciation

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. The policy on depreciation is detailed in note 3.3 to the financial statements. The estimated useful life and residual value reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use and ultimate disposal of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

Deferred income

Deferred income is recognised into revenue based on the estimate period over which relevant assets will generate economic benefits to the Group. Determining the period over which economic benefits will flow to the Group from the relevant assets requires judgement and consideration of multiple factors that may vary over time depending upon the demand forecasts, product life cycle status and product development plans.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Withholding taxes

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2017, the Group has unremitted earnings that are subject to withholding taxes amounting to approximately HK$2,598,120,000 (2016: HK$2,526,607,000). In the opinion of the directors, the Company is able to control the timing of the reversal of the temporary difference and it is not probable that these subsidiaries established in Mainland China will distribute such earnings in the foreseeable future.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of casings for notebook computer and handheld devices. For management purposes, the Group operates in one business unit based on its casing products, and has one reportable operating segment.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(i) Revenue from external customers:

	2017 **HK$'000**	2016 HK$'000
The PRC, excluding Hong Kong	**7,611,024**	7,867,765
The ROC	**105,228**	95,957
Others	**35,545**	38,637
	7,751,797	8,002,359

The revenue information above is based on the locations of the products delivered to the customers.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(ii) Non-current assets:

	2017 HK$'000	2016 HK$'000
The PRC, excluding Hong Kong	**8,972,943**	8,515,389
The ROC	**149,197**	177,204
Others	**28**	28
	9,122,168	8,692,621

The non-current asset information above, excluding available-for-sale investment and deferred tax assets, is based on the locations of the assets.

Information about major customers

Revenues of approximately HK$1,769,138,000, HK$1,536,583,000, HK$1,205,066,000, HK$870,422,000 and HK$826,970,000 for the year ended 31 December 2017 were derived from sales to five major customers, the revenue from each of which amounted to 10% or more of the Group's revenue, including sales to a group of entities which are known to be under common control with these customers.

Revenues of approximately HK$1,710,949,000, HK$1,533,477,000, HK$1,080,252,000, HK$935,901,000, HK$808,392,000 and HK$805,703,000 for the year ended 31 December 2016 were derived from sales to six major customers, the revenue from each of which amounted to 10% or more of the Group's revenue, including sales to a group of entities which are known to be under common control with these customers.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold, net of value-added tax, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Sale of goods	**7,751,797**	8,002,359
Other income and gains		
Interest income	**21,594**	9,812
Subsidy income#	**143,411**	145,761
Compensation income	**15,710**	1,211
Foreign exchange gains, net	**–**	102,830
Rental income	**21,797**	9,418
Dividend income	**361**	699
Others	**10,115**	3,629
	212,988	273,360

Various government subsidies have been received for enterprises engaged in Mainland China for promoting the manufacturing industry. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank and other loans	**117,482**	102,505
Total interest expense on financial liabilities not at fair value through profit or loss	**117,482**	102,505
Less: Interest capitalised	**(8,821)**	(8,142)
	108,661	94,363

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2017 HK$'000	2016 HK$'000
Cost of inventories sold		**6,696,952**	6,616,459
Auditor's remuneration		**3,850**	3,700
Depreciation	14	**1,026,830**	983,657
Amortisation of lease premium for land	15	**12,923**	11,899
Minimum lease payments under operating leases		**4,959**	4,902
Provision/(reversal of provision) for slow-moving and obsolete inventories, net*		**(51,769)**	40,284
Reversal of impairment of other receivables**		**(320)**	–
Impairment/(reversal of impairment) of trade receivables**		**(50)**	4,931
Employee benefits expense (excluding directors' remuneration – note 9):			
Wages and salaries, bonuses, allowances and welfare		**2,032,309**	1,898,361
Equity-settled share option expenses		**22,241**	27,007
Pension scheme contributions		**89,697**	86,901
		2,144,247	2,012,269
Net rental income		**17,909**	5,260
Loss on disposal of items of property, plant and equipment, net**		**8,220**	38,827
Impairment of an available-for-sale investment**	21	**–**	3,415
Foreign exchange losses/(gains), net***		**98,880**	(102,830)

* Included in "Cost of sales" on the face of the consolidated statement of profit or loss

** Included in "Other expenses" on the face of the consolidated statement of profit or loss

*** Included in "Other expenses/(Other income and gains)" on the face of the consolidated statement of profit or loss

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**594**	594
Other emoluments:		
Salaries, allowances and benefits in kind	**7,458**	4,892
Performance related bonuses	**1,225**	878
Share-based payments	**23,990**	2,369
Pension scheme contributions	**47**	75
	32,720	8,214
	33,314	8,808

Certain directors were granted share options and were awarded shares, in respect of their services to the Group, under the share option scheme and share award plan of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options and awarded shares, which have been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees and share-based payments paid to independent non-executive directors during the year were as follows:

2017

Name of director	Fees HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	**198**	**128**	**326**
Mr. Tsai Wen-Yu	**198**	**128**	**326**
Mr. Yip Wai Ming	**198**	**128**	**326**
	594	**384**	**978**

2016

Name of director	Fees HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	198	131	329
Mr. Tsai Wen-Yu	198	131	329
Mr. Yip Wai Ming	198	131	329
	594	393	987

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

Name of director	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payments	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017						
Mr. Cheng Li-Yu	**–**	**136**	**–**	**–**	**–**	**136**
Mr. Cheng Li-Yen (i)	**–**	**122**	**–**	**–**	**4**	**126**
Mr. Huang Kuo-Kuang	**–**	**786**	**393**	**2,381**	**17**	**3,577**
Mr. Chiu Hui-Chin (ii)	**–**	**3,117**	**521**	**16,250**	**–**	**19,888**
Mr. Lin Feng-Chieh (ii)	**–**	**1,581**	**311**	**2,450**	**4**	**4,346**
Mr. Hsieh Wan-Fu (i)	**–**	**116**	**–**	**72**	**2**	**190**
Mr. Lo Jung-Te (i)	**–**	**116**	**–**	**72**	**2**	**190**
Mr. Tsui Yung Kwok	**–**	**1,484**	**–**	**2,381**	**18**	**3,883**
	–	**7,458**	**1,225**	**23,606**	**47**	**32,336**
2016						
Mr. Cheng Li-Yu	–	768	192	–	–	960
Mr. Cheng Li-Yen	–	692	173	–	21	886
Mr. Huang Kuo-Kuang	–	704	185	490	12	1,391
Mr. Hsieh Wan-Fu	–	654	164	498	12	1,328
Mr. Lo Jung-Te	–	654	164	498	12	1,328
Mr. Tsui Yung Kwok	–	1,420	–	490	18	1,928
	–	4,892	878	1,976	75	7,821

During the year ended 31 December 2017, Mr. Cheng Li-Yu, a director and chairman of the Group agreed to waive the remuneration of HK$680,000 (2016: Nil).

(i) Resigned on 1 March 2017
(ii) Appointed on 1 March 2017

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2016: one) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2016: four) highest paid employee who is not a director of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**695**	2,534
Performance related bonuses	**1,164**	587
Equity-settled share option expenses	**1,252**	5,093
Pension scheme contributions	**13**	47
	3,124	8,261

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	3
HK$3,000,001 to HK$3,500,000	**1**	–
	1	4

Share options were granted under the share option scheme of the Company to the non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive, highest paid employees' remuneration disclosures.

11. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the year (2016: Nil). Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2017 HK$'000	2016 HK$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**140,302**	135,315
Underprovision in prior years	**422**	4,612
Current – Overseas		
Charge for the year	**26,784**	38,098
Overprovision in prior years	**(36,885)**	(35,145)
Deferred tax (note 17)	**(35,460)**	13,532
Total tax charge for the year	**95,163**	156,412

11. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2017

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(70,868)		173,748		159,635		262,515	
Tax at the statutory tax rate	(11,693)	16.5	43,437	25.0	27,138	17.0	58,882	22.4
Preferential tax rates	–	–	(20,038)	(11.5)	–	–	(20,038)	(7.6)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	12,658	7.3	–	–	12,658	4.8
Income not subject to tax	–	–	(1,531)	(0.9)	(494)	(0.3)	(2,025)	(0.7)
Expenses not deductible for tax	11,693	(16.5)	2,493	1.4	140	0.1	14,326	5.5
Adjustments in respect of current tax of previous periods	–	–	422	0.3	(36,885)	(23.1)	(36,463)	(13.9)
Tax losses not recognised	–	–	67,823	39.0	–	–	67,823	25.8
Tax charge at the Group's effective rate	–	–	105,264	60.6	(10,101)	(6.3)	95,163	36.3

11. INCOME TAX *(continued)*

2016

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(50,065)		572,042		224,162		746,139	
Tax at the statutory tax rate	(8,261)	16.5	143,009	25.0	38,108	17.0	172,856	23.2
Preferential tax rates	–	–	(49,375)	(8.6)	–	–	(49,375)	(6.6)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	20,946	3.7	–	–	20,946	2.8
Income not subject to tax	(1,260)	2.5	(2,584)	(0.5)	(241)	(0.1)	(4,085)	(0.5)
Expenses not deductible for tax	9,521	(19.0)	2,388	0.4	231	0.1	12,140	1.6
Adjustments in respect of current tax of previous periods	–	–	4,612	0.8	(35,145)	(15.7)	(30,533)	(4.1)
Tax losses not recognised	–	–	34,463	6.0	–	–	34,463	4.6
Tax charge at the Group's effective rate	–	–	153,459	26.8	2,953	1.3	156,412	21.0

According to Caishui [2011] No.58 issued in July 2011, enterprises set up in the western region in the PRC with major businesses falling within the Catalogue of Encouraged Industries in the Western Region are entitled to a reduced corporate income tax ("CIT") rate of 15%.

Juteng (Neijiang) Communication Accessory Co., Ltd. which is subsidiary of the Company in the Sichuan province and Tasun (Chongqing) Electronic Technology Co., Ltd. and Compal Electronic Technology (Chongqing) Co., Ltd. which are subsidiaries of the Company in the Chongqing city, were entitled to enjoy the 15% CIT tax preference as their major businesses fall within the Catalogue of Encouraged Industries in the Western Region.

12. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Proposed final – HK8 cents (2016: HK10 cents) per ordinary share	**91,804**	113,471

The proposed final dividend for the year is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$76,929,000 (2016: HK$500,586,000) and the weighted average number of 1,101,919,378 (2016: 1,110,895,303) ordinary shares in issue excluding shares held under the share award plan during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$76,929,000 (2016: HK$500,586,000). The weighted average number of ordinary shares used in the calculation is 1,101,919,378 (2016: 1,110,895,303) ordinary shares in issue excluding shares held under the share award plan during the year, as used in the basic earnings per share calculation, and the weighted average number of 7,812,080 (2016: 18,403,185) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2017							
At 31 December 2016 and 1 January 2017:							
Cost	4,050,355	2,077	7,269,643	979,322	14,357	353,342	12,669,096
Accumulated depreciation and impairment	(1,020,604)	(1,166)	(2,987,007)	(571,117)	(9,824)	–	(4,589,718)
Net carrying amount	3,029,751	911	4,282,636	408,205	4,533	353,342	8,079,378
At 1 January 2017, net of accumulated depreciation and impairment	3,029,751	911	4,282,636	408,205	4,533	353,342	8,079,378
Additions	39,002	2,023	216,937	76,533	478	684,728	1,019,701
Transfers	127,746	–	375,199	84,635	470	(588,050)	–
Disposals/write-off	(20,970)	–	(157,001)	(17,613)	(703)	(11,896)	(208,183)
Depreciation provided during the year	(195,364)	(101)	(703,052)	(127,016)	(1,297)	–	(1,026,830)
Exchange realignment	228,366	91	310,711	32,063	314	27,355	598,900
At 31 December 2017, net of accumulated depreciation and impairment	3,208,531	2,924	4,325,430	456,807	3,795	465,479	8,462,966
At 31 December 2017:							
Cost	4,502,079	4,239	8,158,187	1,175,191	13,548	465,479	14,318,723
Accumulated depreciation and impairment	(1,293,548)	(1,315)	(3,832,757)	(718,384)	(9,753)	–	(5,855,757)
Net carrying amount	3,208,531	2,924	4,325,430	456,807	3,795	465,479	8,462,966

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

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016							
At 1 January 2016:							
Cost	4,051,000	1,879	7,265,929	1,022,535	14,738	109,527	12,465,608
Accumulated depreciation and impairment	(895,086)	(1,106)	(2,667,284)	(494,509)	(10,030)	–	(4,068,015)
Net carrying amount	3,155,914	773	4,598,645	528,026	4,708	109,527	8,397,593
At 1 January 2016, net of accumulated depreciation and impairment	3,155,914	773	4,598,645	528,026	4,708	109,527	8,397,593
Additions	73,416	175	137,606	20,102	1,274	993,481	1,226,054
Acquisition of subsidiaries (note 31)	–	–	4,278	306	72	1,005	5,661
Transfers	165,752	–	549,464	24,101	189	(739,506)	–
Disposals/write-off	(1,657)	–	(81,258)	(8,857)	(120)	(7,412)	(99,304)
Depreciation provided during the year	(187,734)	(50)	(664,573)	(129,976)	(1,324)	–	(983,657)
Exchange realignment	(175,940)	13	(261,526)	(25,497)	(266)	(3,753)	(466,969)
At 31 December 2016, net of accumulated depreciation and impairment	3,029,751	911	4,282,636	408,205	4,533	353,342	8,079,378
At 31 December 2016:							
Cost	4,050,355	2,077	7,269,643	979,322	14,357	353,342	12,669,096
Accumulated depreciation and impairment	(1,020,604)	(1,166)	(2,987,007)	(571,117)	(9,824)	–	(4,589,718)
Net carrying amount	3,029,751	911	4,282,636	408,205	4,533	353,342	8,079,378

As at 31 December 2017, certain of the Group's land and buildings with a net carrying amount of approximately HK$21,773,000 (2016: Nil) were pledged to secure general banking facilities granted to the Group (note 25).

As at 31 December 2017, the application of property ownership certificates for certain buildings with a net book value of HK$258,803,000 (2016: HK$254,272,000) was still in progress. In the opinion of the directors, the risk of the Group not being able to obtain the legal titles for the relevant land and buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of the PRC for the final settlement and complete the ownership registration of the buildings.

15. LEASE PREMIUM FOR LAND

	2017 HK$'000	2016 HK$'000
Net carrying amount at 1 January	**486,086**	465,616
Additions during the year	**97,050**	83,295
Recognised during the year	**(12,923)**	(11,899)
Exchange realignment	**40,576**	(50,926)
Carrying amount as at 31 December	**610,789**	486,086
Current portion included in prepayments, deposits and other receivables	**(14,362)**	–
Non-current portion	**596,427**	486,086

As at 31 December 2017, the Group did not pledge any interest in land to secure banking facilities granted to the Group (2016: Nil).

16. GOODWILL

	HK$'000
Cost and net carrying amount at 1 January 2016	**40,062**
Acquisition of subsidiaries (note 31)	**13,923**
Cost and net carrying amount at 31 December 2016, 1 January 2017 and 31 December 2017	**53,985**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the manufacture and sale of notebook computer casings cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the manufacture and sale of notebook computer casings cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.5% (2016: 9.9%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2016: 2%).

Assumptions were used in the value in use calculation of the manufacture and sale of notebook computer casings cash-generating unit for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

16. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the cash-generating unit's recoverable amount to fall below its carrying amount.

17. DEFERRED TAX

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000	Government subsidies HK$'000	Total HK$'000
Gross deferred tax assets at 1 January 2016	–	–	–
Deferred tax credited to the statement of profit or loss during the year (note 11)	–	5,988	5,988
Exchange realignment	–	(261)	(261)
Gross deferred tax assets at 31 December 2016, and 1 January 2017	**–**	**5,727**	**5,727**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	**45,081**	**(98)**	**44,983**
Exchange realignment	**1,732**	**413**	**2,145**
Gross deferred tax assets at 31 December 2017	**46,813**	**6,042**	**52,855**

The Group had tax losses arising in the Mainland China and the ROC of approximately HK$458,335,000 (2016: HK$469,515,000) and HK$14,000 (2016: HK$637,000), respectively, that are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments arising from revaluation of an available-for-sale investment HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2016	1,879	909	20,000	22,788
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	(480)	–	20,000	19,520
Deferred tax credited to equity during the year	–	(909)	–	(909)
Gross deferred tax liabilities at 31 December 2016 and 1 January 2017	**1,399**	**–**	**40,000**	**41,399**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**(477)**	**–**	**10,000**	**9,523**
Deferred tax charged to equity during the year	**–**	**1,162**	**–**	**1,162**
Gross deferred tax liabilities at 31 December 2017	**922**	**1,162**	**50,000**	**52,084**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,598,120,000 (2016: HK$2,526,607,000) as at 31 December 2017. In the opinion of the directors, the Company is able to control the timing of the reversal of the temporary difference and, accordingly, the Group has taken into consideration among others, the probability the temporary difference being reversed in the foreseeable future, and recognised for withholding taxes that would be payable in the foreseeable future on distribution of unremitted earnings by the Company's subsidiaries established in Mainland China in respect of earnings generated.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Production materials	**259,469**	295,913
Work in progress	**539,097**	410,589
Finished goods	**473,816**	311,505
Moulds and consumable tools	**273,274**	271,397
	1,545,656	1,289,404

19. TRADE RECEIVABLES

The general credit terms of the Group range from 60 days to 120 days. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	**1,857,513**	2,113,334
4 to 6 months	**853,535**	748,380
7 to 12 months	**33,564**	14,156
	2,744,612	2,875,870

The ageing analysis of the Group's trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**2,200,688**	2,475,806
1 to 3 months past due	**532,519**	391,890
4 to 6 months past due	**10,050**	7,624
7 to 12 months past due	**1,355**	550
	2,744,612	2,875,870

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

19. TRADE RECEIVABLES *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Prepayments	**96,238**	58,585
Deposits and other receivables	**258,665**	310,991
	354,903	369,576

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. AVAILABLE-FOR-SALE INVESTMENT

	2017 **HK$'000**	2016 HK$'000
Overseas listed equity investment, at fair value	**24,987**	14,581

The above investment represent investment in equity security which was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$10,265,000 (2016: a gross loss of HK$9,017,000).

There was a significant decline in the market value of a listed equity investment in 2016. The directors considered that such a decline indicates that the listed equity investment had been impaired and an impairment loss of HK$3,415,000, which was reclassified from other comprehensive income, had been recognised in the statement of profit or loss for the year ended 31 December 2016.

In the opinion of the directors, the available-for-sale investment is not expected to be realised within 12 months after the end of the reporting period. Accordingly, the investment is classified as a non-current asset in the consolidated statement of financial position.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$21,658,000.

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash and bank balances, including time deposits with original maturity less than 3 months	**1,790,579**	1,560,512
Less: Pledged and restricted bank balances	**(39,809)**	(31,459)
Cash and cash equivalents	**1,750,770**	1,529,053

RMB is not a freely convertible currency in Mainland China and the remittance of funds out of Mainland China is subject to the exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. At the end of the reporting period, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in Mainland China or the ROC amounted to approximately HK$1,006,153,000 (2016: HK$1,374,066,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days.

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	**679,754**	757,840
4 to 6 months	**181,257**	210,144
7 to 12 months	**9,171**	15,364
Over 1 year	**49,791**	58,565
	919,973	1,041,913

24. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deferred income (note 26)	**141,045**	144,704
Other payables	**412,041**	397,156
Compensation income receipt in advance	**395,637**	–
Accruals	**542,942**	485,572
	1,491,665	1,027,432

Other payables are non-interest-bearing.

25. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**1.40-3.18**	**2018**	**587,572**	–	–	–
Bank loans – unsecured	**1.55-2.70**	**2018**	**1,876,090**	0.68-2.43	2017	1,657,469
			2,463,662			1,657,469
Non-current						
Bank loans – secured	**1.40-3.18**	**2019 – 2027**	**1,770,897**	2.68-3.10	2018 – 2021	2,326,200
Bank loans – unsecured	**2.10-2.25**	**2019**	**234,420**	1.45-1.77	2018	465,240
			2,005,317			2,791,440
			4,468,979			4,448,909

25. INTEREST-BEARING BANK BORROWINGS *(continued)*

	2017 HK$'000	2016 HK$'000
Repayable:		
Within one year	**2,463,662**	1,657,469
In the second year	**821,992**	814,170
In the third to fifth years, inclusive	**1,176,666**	1,977,270
Beyond five years	**6,659**	–
	4,468,979	4,448,909

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) the pledge of shares in certain subsidiaries of the Company;

(ii) the pledge of certain of the Group's land and buildings situated in the ROC, which had an aggregate carrying value at the end of the reporting period of HK$21,773,000 (2016: Nil); and

(iii) corporate guarantees executed by the Company to the extent of HK$3,795,534,000 (2016: HK$4,927,585,000) as at the end of the reporting period.

(b) The Group's bank loans with carrying amounts of HK$4,430,680,000 (2016: HK$4,416,562,000) and HK$38,299,000 (2016: HK$32,347,000) are denominated in US$ and NT$, respectively.

26. DEFERRED INCOME

	Notes	2017 HK$'000	2016 HK$'000
Deferred income related to the transfer of production equipment	(i)	**258,962**	409,944
Deferred income related to the government subsidies for acquisition of assets	(ii)	**36,210**	37,547
Carrying amount as at 31 December		**295,172**	447,491
Current portion (note 24)		**(141,045)**	(144,704)
Non-current portion		**154,127**	302,787

Notes:

(i) Deferred income represented the assignment and transfer of right, titles, and obligations for certain production equipment from an independent third party.

(ii) Deferred income represented government subsidies received by certain of the Group's subsidiaries in Mainland China relating to acquisition of assets.

27. SHARE CAPITAL

Shares

	2017 HK$'000	2016 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,147,550,445 (2016: 1,134,708,445) shares of HK$0.1 each	**114,755**	113,471

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue of HK$0.1 each	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2016	1,119,977,185	111,997	218,062	330,059
Issue of shares in connection with the exercise of share options (note (i))	14,730,000	1,473	12,815	14,288
Issue of shares in connection with the exercise of warrants (note (ii))	1,260	1	6	7
Share issue expense	–	–	(9)	(9)
Transfer from employee share-based compensation reserve	–	–	14,820	14,820
2015 final dividend	–	–	(167,997)	(167,997)
At 31 December 2016 and 1 January 2017	**1,134,708,445**	**113,471**	**77,697**	**191,168**
Issue of shares in connection with the exercise of share options (note (i))	**12,842,000**	**1,284**	**11,173**	**12,457**
Transfer from employee share-based compensation reserve	**–**	**–**	**14,398**	**14,398**
2016 final dividend	**–**	**–**	**(77,697)**	**(77,697)**
At 31 December 2017	**1,147,550,445**	**114,755**	**25,571**	**140,326**

27. SHARE CAPITAL *(continued)*

Notes:

(i) During the year, the Company issued a total of 12,842,000 (2016: 14,730,000) shares at an exercise price of HK$0.97 (2016: HK$0.97), pursuant to the exercise of options granted under the share option scheme of the Company, resulting in the issue of 12,842,000 (2016: 14,730,000) shares of HK$0.1 each for a total cash consideration, before expenses, of HK$12,457,000 (2016: HK$14,288,000). A total of HK$14,398,000 (2016: HK$14,820,000) was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

(ii) A bonus issue of warrants (the "Warrants") was made by the Company in the proportion of one Warrant for every eight shares held on the record date, i.e. 9 April 2015, resulting in 143,954,000 Warrants being issued. Each Warrant entitles the warrant holder thereof to subscribe for one warrant share at the initial subscription price of HK$4.60 per warrant share (subject to adjustment) at any time during the period from 15 April 2015 to 14 October 2016 (both days inclusive).

During the year ended 31 December 2016, the Company issued a total of 1,260 shares at a subscription price of HK$4.60 per warrant share pursuant to the exercise of subscription rights attached to the Warrants by certain bonus warrant holders, resulting in the issue of 1,260 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$6,000. The issued capital of the warrant shares was increased by the par value and the premium received thereon after deducting the related expenses incurred on the issue of the bonus warrants that have been credited to share premium account of the Company accordingly.

The subscription rights attaching to the Warrants had been expired on 14 October 2016.

Share options

Details of the Company's share option scheme and the share options granted are included in note 28 to the financial statements.

28. EQUITY COMPENSATION PLANS

(a) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

28. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the daily quotation sheet on the Hong Kong Stock Exchange on the date of the offer of the share options; and (ii) the average of the closing prices of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2017		2016	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.86**	**80,354,000**	2.56	101,354,000
Exercised	**0.97**	**(12,842,000)**	0.97	(14,730,000)
Lapsed	**2.82**	**(10,136,000)**	2.47	(6,270,000)
At 31 December	**3.29**	**57,376,000**	2.86	80,354,000

The weighted average closing share price at the date of exercise for share options exercised during the year was HK$2.60 per share (2016: HK$2.46 per share).

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31 December 2017

28. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017 Number of options	**Exercise price* HK$ per share**	**Exercise period**
350,000	**3.29**	**7-11-2016 to 31-8-2024**
348,000	**3.29**	**7-11-2017 to 31-8-2024**
11,290,000	**3.29**	**7-11-2018 to 31-8-2024**
11,344,000	**3.29**	**7-11-2019 to 31-8-2024**
11,316,000	**3.29**	**7-11-2020 to 31-8-2024**
11,344,000	**3.29**	**7-11-2021 to 31-8-2024**
11,384,000	**3.29**	**7-11-2022 to 31-8-2024**
57,376,000		

2016 Number of options	Exercise price* HK$ per share	Exercise period
135,700	0.97	7-11-2016 to 30-11-2019
14,744,300	0.97	7-11-2017 to 30-11-2019
30,000	3.29	9-7-2015 to 31-8-2024
30,000	3.29	7-11-2015 to 31-8-2024
380,000	3.29	7-11-2016 to 31-8-2024
378,000	3.29	7-11-2017 to 31-8-2024
12,882,000	3.29	7-11-2018 to 31-8-2024
12,938,000	3.29	7-11-2019 to 31-8-2024
12,912,000	3.29	7-11-2020 to 31-8-2024
12,938,000	3.29	7-11-2021 to 31-8-2024
12,986,000	3.29	7-11-2022 to 31-8-2024
80,354,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

28. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The fair value of the cancelled share options and the incremented fair value of the replaced share options were HK$78,685,000 and HK$16,213,000, respectively.

The Group recognised a share option expense of HK$24,131,000 (2016: HK$29,376,000) during the year ended 31 December 2017 in respect of share options granted/replaced in the prior years.

The fair value of the cancelled share options and the incremented fair value of the replaced share options were estimated as at the date of replacement, using a binomial model, taking into account the terms and conditions upon which the options were granted/replaced. The following table lists the inputs to the model used:

Dividend yield (%)	3.93
Expected volatility (%)	57.17
Historical volatility (%)	57.17
Risk-free interest rate (%)	1.36
Weighted average expected life of options (year)	3.06 – 8.97
Underlying price per share (HK$)	3.29

The expected life of the options is based on the directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The total of 12,842,000 share options exercised during the year resulted in the issue of 12,842,000 ordinary shares of the Company and new share capital of HK$1,284,000 and share premium of HK$11,173,000 (before issue expenses), as further detailed in note 27(i) to the financial statements.

At the end of the reporting period, the Company had 57,376,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 57,376,000 additional ordinary shares of the Company and additional share capital of HK$5,738,000 and share premium of HK$183,029,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,376,000 share options outstanding under the Scheme, which represented approximately 5.0% of the Company's shares in issue as at that date.

28. EQUITY COMPENSATION PLANS *(continued)*

(b) Share award plan

The Board approved the adoption of the new share award plan (the "Share Award Plan") with effect from 19 May 2017. The purpose of the Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of shares and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. The vesting period of the awarded shares is determined by the Board.

Under the Share Award Plan, a total of 119,147,774 shares was purchased by Bank of Communications Trustee Limited (the "Trustee") of the Company during the year ended 31 December 2017.

On 16 June 2017, the Company granted an aggregate of 6,800,000 awarded shares (the "Award Shares") to four selected participants, namely Mr. Chiu Hui-Chin, Mr. Huang Kuo-Kuang, Mr. Lin Feng-Chieh and Mr. Tsui Yung Kwok ("Selected Participants"). The Award Shares were vested in and transferred to the Selected Participants at nil consideration on 3 July 2017. The Group recognised a share award expense of HK$22,100,000 during the year ended 31 December 2017 in respect of the Award Shares granted in the current year. As at 31 December 2017, a total of 112,347,774 shares were held by the trustee under the Share Award Plan.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the prior and current years are presented in the consolidated statement of changes in equity on pages 55 and 56 of the financial statements.

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Wah Yuen and its subsidiaries ("Wah Yuen Group")	**40.72%**	40.72%
Mindforce and its subsidiaries ("Mindforce Group")	**29%**	29%

	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Wah Yuen Group	**101,142**	103,878
Mindforce Group	**(23,083)**	(28,169)
Accumulated balances of non-controlling interests at the reporting date:		
Wah Yuen Group	**1,328,832**	1,105,854
Mindforce Group	**197,358**	206,684

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Wah Yuen Group HK$'000	**Mindforce Group HK$'000**
2017		
Revenue	**3,047,186**	**1,427,117**
Total expenses	**(2,798,936)**	**(1,505,140)**
Profit/(loss) for the year	**248,250**	**(78,023)**
Total comprehensive income for the year	**547,452**	**(28,891)**
Current assets	**2,441,270**	**871,042**
Non-current assets	**3,061,022**	**983,605**
Current liabilities	**(1,980,382)**	**(572,413)**
Non-current liabilities	**(266,812)**	**(604,022)**
Net cash flows from operating activities	**413,859**	**134,073**
Net cash flows used in investing activities	**(162,177)**	**(43,532)**
Net cash flows used in financing activities	**(366,010)**	**(25,215)**
Net increase/(decrease) in cash and cash equivalents	**(114,328)**	**65,326**

	Wah Yuen Group HK$'000	Mindforce Group HK$'000
2016		
Revenue	2,936,547	1,858,685
Total expenses	(2,681,579)	(1,954,246)
Profit/(loss) for the year	254,968	(95,560)
Total comprehensive income for the year	(22,014)	(125,935)
Current assets	2,160,569	1,059,529
Non-current assets	3,060,779	970,913
Current liabilities	(2,216,630)	(694,533)
Non-current liabilities	(297,072)	(629,237)
Net cash flows from operating activities	476,158	64,341
Net cash flows used in investing activities	(523,447)	(39,887)
Net cash flows from/(used in) financing activities	29,649	(97,372)
Net decrease in cash and cash equivalents	(17,640)	(72,918)

31. BUSINESS COMBINATION

On 25 April 2016, the Group entered into the acquisition and subscription agreement with Green Garden Limited ("Green Garden") and Sonic Vantage Limited ("Sonic Vantage"), two independent third parties, pursuant to which the Group agreed to further acquire 18% and 14% equity interests from Green Garden and Sonic Vantage, respectively, in Prime Smart Limited ("Prime Smart") at a total cash consideration of approximately HK$50,350,000 (equivalent to US$6,486,000) to increase the total equity interest to 51%. The acquisition was completed in May 2016. Upon completion of the acquisition, Prime Smart became a 51% owned subsidiary of the Group. Prime Smart is a private company incorporated in the Samoa with limited liability.

Prime Smart and its subsidiaries (collectively the "Prime Smart Group") are principally engaged in the development, manufacture and sale of materials for the manufacture of casings for notebook computers and handheld devices with manufacturing facilities located in Jurong City of Jiangsu Province and Chongqing City, the PRC.

The fair values of the identifiable assets and liabilities of Prime Smart Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	5,661
Inventories	2,956
Trade receivables	61,316
Cash and cash equivalents	19,536
Prepayments, deposits and other receivables	1,038
Trade and bills payables	(6,367)
Other payables and accruals	(4,420)
Tax payable	(5,402)
Non-controlling interests	(36,416)
	37,902
Goodwill on acquisition	13,923
	51,825

31. BUSINESS COMBINATION *(continued)*

	HK$'000
Satisfied by:	
Cash	50,350
Reclassified from available-for-sale investment	1,475
	51,825

The Group incurred transaction costs of HK$9,000 for this acquisition in the prior year. These transaction costs had been expensed and were included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Prime Smart Group is as follows:

	HK$'000
Cash consideration	(50,350)
Cash and cash equivalents acquired	19,536
Net outflow of cash and cash equivalents in respect of the acquisition of Prime Smart Group	(30,814)

Since the acquisition, Prime Smart Group contributed HK$8,779,000 to the profit attributable to equity holders of the Company for the year ended 31 December 2016.

Had the combination taken place at the beginning of the prior year, the profit attributable to equity holders of the Company for the year ended 31 December 2016 would have been HK$504,246,000.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2017, the Group derecognised property, plant and equipment amounting to HK$13,972,000 in connection with the transfer of right, title and obligations for certain equipment back to an independent third party which was of non-cash in nature.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Change in liabilities arising from financing activities

	Bank loans HK$'000
At 1 January 2017	4,448,909
Changes from financing cash flows	(19,351)
Foreign exchange movement	39,421
At 31 December 2017	4,468,979

33. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

34. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases part of its factory under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**19,293**	8,456
In the second to fifth years, inclusive	**73,386**	67,023
Over five years	**176,061**	180,522
	268,740	256,001

34. OPERATING LEASE COMMITMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,552**	3,742
In the second to fifth years, inclusive	**1,138**	2,876
	3,690	6,618

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments as at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for:		
Land and buildings	**127,332**	72,925
Machinery and office equipment	**79,144**	184,850
Total capital commitments	**206,476**	257,775

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with a related party during the year.

	2017 HK$'000	2016 HK$'000
Rental expenses paid to:		
Ms. Lin Mei-Li (Note)	**63**	59

Note:

Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties.

The above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group (excluding directors' remuneration):

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**13,982**	8,234
Employee share-based compensation expenses	**8,747**	8,646
Total compensation paid to key management personnel	**22,729**	16,880

Further details of directors' emoluments are included in note 9 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Loans and receivables HK$'000	Available–for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	–	24,987	24,987
Trade receivables	2,744,612	–	2,744,612
Financial assets included in prepayments, deposits and other receivables	258,665	–	258,665
Pledged and restricted bank balances	39,809	–	39,809
Cash and cash equivalents	1,750,770	–	1,750,770
	4,793,856	24,987	4,818,843

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	919,973
Financial liabilities included in other payables and accruals	954,983
Interest-bearing bank borrowings	4,468,979
	6,343,935

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2016

Financial assets

	Loans and receivables HK$'000	Available–for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	–	14,581	14,581
Trade receivables	2,875,870	–	2,875,870
Financial assets included in prepayments, deposits and other receivables	310,991	–	310,991
Pledged and restricted bank balances	31,459	–	31,459
Cash and cash equivalents	1,529,053	–	1,529,053
	4,747,373	14,581	4,761,954

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,041,913
Financial liabilities included in other payables and accruals	882,728
Interest-bearing bank borrowings	4,448,909
	6,373,550

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investment				
Overseas listed equity investment, at fair value	**24,987**	14,581	**24,987**	14,581

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank balances, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2017 and 31 December 2016 was assessed to be insignificant.

The fair value of listed equity investment was based on quoted market prices.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Available-for-sale investment:				
Overseas listed equity investment	**24,987**	**–**	**–**	**24,987**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment:				
Overseas listed equity investment	14,581	–	–	14,581

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2017 (2016: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, pledged bank balances and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations denominated in United States dollars with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in United States dollar interest rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2017		
United States dollar	**50**	**(22,153)**
United States dollar	**(50)**	**22,153**
2016		
United States dollar	50	(22,083)
United States dollar	(50)	22,083

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables and certain cash and cash equivalents in currencies other than the functional currencies of the Group's operating subsidiaries.

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB has negative effects on the Group's profitability.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2017		
If United States dollar strengthens against Renminbi	**5.93**	**166,692**
If United States dollar weakens against Renminbi	**(5.93)**	**(166,692)**
2016		
If United States dollar strengthens against Renminbi	7.80	240,747
If United States dollar weakens against Renminbi	(7.80)	(240,747)

Credit risk

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 76% (2016: 71%) of the Group's trade receivables at the end of the reporting period.

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2017			
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**919,973**	**–**	**–**	**919,973**
Other payables and accruals	**1,350,620**	**–**	**–**	**1,350,620**
Interest-bearing bank borrowings	**2,545,245**	**2,095,130**	**7,152**	**4,647,527**
	4,815,838	**2,095,130**	**7,152**	**6,918,120**

	2016			
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	1,041,913	–	–	1,041,913
Other payables and accruals	882,728	–	–	882,728
Interest-bearing bank borrowings	1,660,360	3,033,288	–	4,693,648
	3,585,001	3,033,288	–	6,618,289

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual equity investment classified as an available-for-sale investment (note 21) as at 31 December 2017. The Group's listed investment is listed on the Taiwan Stock Exchange (the "TSEC") and valued at the quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period and its respective highest and lowest points during the year were as follows:

	31 December 2017	**High/low 2017**	31 December 2016	High/low 2016
ROC – TSEC Weighted Index	**10,643**	**10,855/9,292**	9,254	9,430/7,628

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investment HK$'000	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in equity* HK$'000**
2017			
Investment listed in:			
ROC – Available-for-sale	**24,987**	**54.74**	**13,678**
	24,987	**(54.74)**	**(13,678)**
2016			
Investment listed in:			
ROC – Available-for-sale	14,581	25.39	3,072
	14,581	(25.39)	(3,072)

* Excluding retained profits

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is calculated as the total bank borrowings over the total assets. The gearing ratios as at the end of the reporting period were as follows:

	2017 **HK$'000**	2016 HK$'000
Total bank borrowings	**4,468,979**	4,448,909
Total non-current assets	**9,200,010**	8,712,929
Total current assets	**6,435,750**	6,095,362
Total assets	**15,635,760**	14,808,291
Gearing ratio	**29%**	30%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**70,667**	514,930
CURRENT ASSETS		
Prepayments, deposits and other receivables	**243**	535
Restricted cash	**3,777**	–
Cash and cash equivalents	**28,385**	619
Total current assets	**32,405**	1,154
CURRENT LIABILITIES		
Other payables and accruals	**5,211**	4,373
NET CURRENT ASSETS/(LIABILITIES)	**27,194**	(3,219)
Net assets	**97,861**	511,711
EQUITY		
Issued capital	**114,755**	113,471
Reserves (note)	**(16,894)**	398,240
Total equity	**97,861**	511,711

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Shares held under share award plan HK$'000	Employee share-based compensation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2016	218,062	–	60,989	351,832	(96,287)	534,596
Total comprehensive income for the year	–	–	–	–	(10,547)	(10,547)
Issue of shares in connection with the exercise of share options	27,635	–	(14,820)	–	–	12,815
Issue of shares in connection with the exercise of warrants	6	–	–	–	–	6
Share issue expense	(9)	–	–	–	–	(9)
Share-based compensation arrangements	–	–	29,376	–	–	29,376
2015 final dividend	(167,997)	–	–	–	–	(167,997)
At 31 December 2016 and 1 January 2017	**77,697**	**–**	**75,545**	**351,832**	**(106,834)**	**398,240**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(29,169)**	**(29,169)**
Issue of shares in connection with the exercise of share options	**25,571**	**–**	**(14,398)**	**–**	**–**	**11,173**
Purchase of shares under share award plan	**–**	**(329,898)**	**–**	**–**	**–**	**(329,898)**
Share-based compensation arrangements	**–**	**–**	**46,231**	**–**	**–**	**46,231**
Employee share award plan – grant of award shares	**–**	**21,080**	**(21,080)**	**–**	**–**	**–**
2016 final dividend	**(77,697)**	**–**	**–**	**(35,774)**	**–**	**(113,471)**
At 31 December 2017	**25,571**	**(308,818)**	**86,298**	**316,058**	**(136,003)**	**(16,894)**

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 3.3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2018.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

Results

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**7,751,797**	8,002,359	8,936,133	9,571,195	9,256,832
PROFIT BEFORE TAX	**262,515**	746,139	1,150,174	1,009,364	1,132,206
Income tax expense	**(95,163)**	(156,412)	(204,919)	(184,957)	(255,389)
PROFIT FOR THE YEAR	**167,352**	589,727	945,255	824,407	876,817
Attributable to:					
Equity holders of the Company	**76,929**	500,586	874,957	764,667	762,173
Non-controlling interests	**90,423**	89,141	70,298	59,740	114,644
	167,352	589,727	945,255	824,407	876,817

Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**15,635,760**	14,808,291	15,455,983	16,132,374	14,717,986
TOTAL LIABILITIES	**(7,287,375)**	(7,064,297)	(7,528,576)	(8,174,809)	(7,085,196)
NON-CONTROLLING INTERESTS	**(1,600,709)**	(1,381,792)	(1,381,509)	(1,410,295)	(1,397,249)
	6,747,676	6,362,202	6,545,898	6,547,270	6,235,541