



JU TENG INTERNATIONAL HOLDINGS LIMITED
巨騰國際控股有限公司

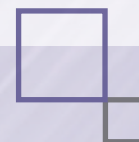
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

CONTENTS



Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Management Profile	13
Report of the Directors	17
Corporate Governance Report	31
Independent Auditor's Report	40
Consolidated Statement of Profit or Loss	46
Consolidated Statement of Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	52
Notes to Financial Statements	54
Five Year Financial Summary	136



EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu (*Chairman*)
Mr. Chiu Hui-Chin (*Chief Executive Officer*)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh
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. Leung Ka Shing (Resigned on 31 January 2019)
Ms. Cheung Lai Yin (Appointed on 31 January 2019)

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

STOCK CODE

3336.HK and 9136.TT

PRINCIPAL BANKERS

Agricultural Bank of China
ANZ Bank
Bank of China
Bank SinoPac
CTBC Bank
DBS Bank
Fubon Bank
KGI Bank
OCBC Wing Hang Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
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

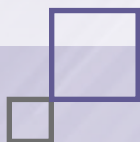
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

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

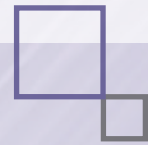


FINANCIAL HIGHLIGHTS

	Notes	For the year ended 31 December		Changes
		2018	2017	
Operating Results:				
Revenue (HK\$ million)		9,072	7,752	+17.0%
Profit attributable to equity holders of the Company (HK\$ million)		139	77	+80.2%
Earnings per share				
Basic (HK cents)		14.1	7.0	+101.4%
Diluted (HK cents)		14.1	6.9	+104.3%
Dividends per share (HK cents)		10	8	+25.0%
Profitability Ratio:				
Gross profit margin		11.9%	14.2%	-2.3%
Operating profit margin	1	2.7%	3.8%	-1.1%
Net profit margin	2	1.5%	1.0%	+0.5%
EBITDA (HK\$ million)		1,581	1,411	+12.0%
Return on equity	3	2.2%	1.2%	+1.0%
Liquidity and Capital Ratio:				
Inventory turnover days	4	73	85	-14.1%
Trade receivables turnover days	5	131	129	+1.6%
Trade and bills payables turnover days	6	50	51	-2.0%
Interest coverage	7	309.7%	341.6%	-31.9%
Net debt to equity	8	39.2%	32.6%	+6.6%
Cash flows from operating activities (HK\$ million)		835	1,104	-24.4%

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 shipment remains stable, Ju Teng's performance significantly outperformed the market

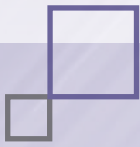
Following the momentum of global economic growth in 2017, the economic growth in the first half of 2018 remained strong. However, under the international trade tensions and the weakened manufacturing industry, and some large developing economies experienced financial market pressure, the World Bank lowered its forecast for global economic growth in 2018 to 3% in January 2019. According to the market research firm, Gartner, global PC shipments which includes desktops, notebooks, and ultra-mobile computers recorded their seventh year of negative growth. Despite the first warm recovery since 2012 appeared in the second quarter of 2018, global PC shipments fell again by 4.3% in the fourth quarter of 2018, resulting in a 1.3% decline in full-year shipments, due to CPU shortages. Still, after prudent planning and execution over the past few years, Ju Teng International Holdings Limited, (the "Company" or "Ju Teng") and its subsidiaries (collectively, the "Group") achieved strong results in its metal casing business in 2018, which drove revenue to approximately HK\$9,072 million during the year ended 31 December 2018, an increase of 17% over the previous year. The Group also benefitted from the depreciation of Renminbi, and recorded a substantial increase in foreign exchange gains. As a result, Ju Teng outperformed the markets and recorded a growth of 80.2% on profit attributable to equity holders of the Company and earned approximately HK\$139 million for the year.

Effective Business strategy results in increased metal casing sales

Notebook computers, 2-in-1 computers, and tablet casings continue to support the Group's main revenue. During the year ended 31 December 2018, Ju Teng maintained good and cooperative relations with its major customers, which stabilized its market share and leading position in the industry. With the foresight that light, thin and sturdy metal casings would become the mainstream for notebook computers, Ju Teng worked to cultivate related technologies and market sales over the past few years. During the year, Ju Teng successfully developed certain surface and coatings technologies, including anodizing and micro-arc oxidation. Advanced technologies enabled Ju Teng to make breakthroughs in the metal casing business and metal casings accounted for a larger proportion of the Group's business during the year.

PC market to recover

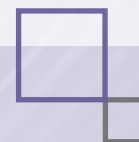
Coupled with Windows 7 officially halting its security support by 2020, more enterprises introducing mobile devices, and the increasing data security supervision by countries, the demand for personal computers driven by Windows 10 upgrade is strong. According to Gartner, the CPU shortage will continue into the first half of 2019, increasing the backlog of demand in the PC market that began in the second half of 2018. The overall market is expected to recover in the second half of 2019, with a projected increase of 0.6%. Ju Teng is optimistic about its business prospects. As one of the world's leading manufacturers of notebook computer casings, the Group has sufficient resources and a strong position to capture new market opportunities.



The Group will adhere its market-oriented strategies and closely monitor notebook computer casing trends, fully utilizing its strong business foundation and prudently execute its expansion plan to deliver satisfactory results for its shareholders.

Cheng Li-Yu
Chairman

Hong Kong
19 March 2019



Business Review & Prospects

Global economic growth momentum in 2018 was lower than it was in 2017. The International Monetary Fund (IMF) attributed the weakened confidence for the outlook of corporations to the influence of trade protectionism, while the manufacturing purchasing managers' index declined from approximately 55 at the beginning of 2018 to approximately 52 at the end of the year. Global PC shipments in which includes desktops, notebooks, and ultra-mobile computers, entered into their seventh year of contraction. According to Gartner, a market research firm, the global PC shipment declined by 1.3% in 2018 due to CPU shortages. Nevertheless, increase in sales of metal casings and the depreciation of Renminbi ("RMB"), enabled Ju Teng to perform well against the market during the year.

As one of the world's leading manufacturers of notebook computer casings, Ju Teng specializes in notebook computers, 2-in-1 computers, and tablets. In 2018, major brands introduced new notebook computer models that were mainly made of metal casings. Light, thin and sturdy aluminum casings became popular for their design and practicality. During the year, Ju Teng's advanced technologies including anodizing and micro-arc oxidation led to a breakthrough in the Group's metal casings sales, which drove the Group's annual revenue growth of 17% to approximately HK\$9,072 million.

Meanwhile, the depreciation of RMB since May 2018 resulted in a significant increase in foreign exchange gains from Ju Teng's production in Mainland China. The foreign exchange gains was mainly attributable to the translation of trade receivables denominated in United States Dollars ("USD"), due to the depreciation of RMB against USD as at 31 December 2018 as compared with 31 December 2017. As a result, profit attributable to shareholders of Ju Teng increased by 80.2% to approximately HK\$139 million.

Looking ahead, despite an unstable global economy and factors such as continuing rise in trade protectionism which may hit consumer confidence, there is no sign of decline of demand for business computers, Gartner expects that the Windows 10 upgrade will continue to drive global PC demand until 2020. The market is waiting to see whether the CPU shortage will ease in 2019.

Ju Teng is confident in its business prospects and will continue to invest in metal casing production facilities in order to fulfill growing demand for the metal casings products. In the future, the Group will continue to position itself to capture new market opportunities, achieve new milestones, and create value for shareholders.

Financial Review

During the year, due to the increase in sales of metal casings products by the Group with a higher unit price than that of plastic casings, the Group's revenue increased by approximately 17.0% to approximately HK\$9,072 million (2017: approximately HK\$7,752 million). However, the Group's gross profit margin during the year declined to approximately 11.9% (2017: approximately 14.2%) which was mainly attributable to the appreciation of RMB against HKD during the year by approximately 2.8% as compared to 2017 even though RMB had weakened since May 2018. Appreciation of RMB during the year caused an increase in the Group's production costs as most of the Group's revenue is denominated in USD while most of the Group's production costs are denominated in RMB.



Other income and gains of the Group mainly consisted of foreign exchange gains of approximately HK\$142 million (2017: foreign exchange losses of approximately HK\$99 million) arising from the depreciation of RMB against USD as at 31 December 2018 as compared with 31 December 2017, mainly resulting from the translation of trade receivables denominated in USD, subsidy income of approximately HK\$48 million (2017: approximately HK\$143 million), interest income of approximately HK\$31 million (2017: approximately HK\$22 million) and rental income of approximately HK\$25 million (2017: approximately HK\$22 million). Due to the foreign exchange gains, the Group recorded a significant increase of approximately 26.9% in other income and gains to approximately HK\$270 million (2017: approximately HK\$213 million) during the year, accounting for approximately 3.0% (2017: approximately 2.7%) of the Group's revenue.

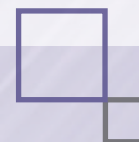
As a result of appreciation of RMB during the year, the Group recorded an increase of approximately 3.2% in operating costs, including administrative expenses, and selling and distribution expenses, to approximately HK\$837 million (2017: approximately HK\$811 million). The percentage of operating costs of the Group decreased to approximately 9.2% (2017: approximately 10.5%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of employees' compensation of approximately HK\$5 million (2017: approximately HK\$25 million). Employees' compensation in 2017 was mainly resulting from the downsizing of the mould work force but no such amount was incurred during the year. Since there was a substantial decrease in employees' compensation and no exchange losses, net (2017: exchange losses, net of approximately HK\$99 million) was recorded during the year, the Group recorded a substantial decrease of approximately 88.6% in other expenses to approximately HK\$15 million (2017: approximately HK\$134 million), accounting for approximately 0.2% (2017: approximately 1.7%) of the Group's revenue.

Finance costs of the Group increased by approximately 48.3% to approximately HK\$161 million (2017: approximately HK\$109 million) for the year as compared to that of 2017, which was mainly attributable to the increase in loan interest rate. Interest capitalised during the year was approximately HK\$11 million (2017: approximately HK\$9 million).

Income tax expenses of the Group increased by approximately 44.6% to approximately HK\$138 million (2017: approximately HK\$95 million) for the year as compared to that of 2017, mainly resulting from the increase in profit before tax. The Group's effective tax rate for the year was 40.7% (2017: 36.3%) because the deferred tax assets have not been recognized for certain tax losses incurred by certain subsidiaries.

The profit attributable to equity holders of the Company for the year amounted to approximately HK\$139 million (2017: approximately HK\$77 million), representing a substantial increase of approximately 80.2% when compared to that of 2017. The increase in the profit attributable to equity holders of the Company was mainly attributable to the increase in the Group's revenue, increase in other income and gains and decrease in other expenses.



Liquidity and Financial Resources

As at 31 December 2018, total bank borrowings of the Group amounted to approximately HK\$4,144 million (31 December 2017: approximately HK\$4,469 million), representing a decrease of approximately 7.3% as compared to that of 31 December 2017. The Group's bank borrowings were at floating interest rate and included short-term loans with 1-year maturity, 2-year term loans and 5-year revolving syndicated loans. As at 31 December 2018, the Group's bank loans denominated in USD and New Taiwan Dollars were approximately HK\$4,109 million (31 December 2017: approximately HK\$4,431 million) and approximately HK\$35 million (31 December 2017: approximately HK\$38 million) respectively.

During the year, the Group's cash flows from operating activities decreased to approximately HK\$835 million from approximately HK\$1,104 million in 2017, which was mainly due to the increase in trade receivables. As a result of the purchase of fixed assets for the production plant in Taizhou City, PRC, the Group recorded a net cash outflow from investing activities of approximately HK\$746 million (2017: approximately HK\$469 million). The increase was mainly due to the compensation income received for relocation of production plants of approximately HK\$396 million in 2017. During the year, due to the repayment of bank borrowings and payment of 2017 final dividend, the Group recorded a net cash outflow from financing activities of approximately HK\$661 million (2017: approximately HK\$450 million). As at 31 December 2018, the Group had cash and bank balances of approximately HK\$1,157 million (31 December 2017: approximately HK\$1,751 million).

As at 31 December 2018, the Group's gearing ratio, calculated as total bank borrowings of approximately HK\$4,144 million (31 December 2017: approximately HK\$4,469 million) divided by total assets of approximately HK\$14,810 million (31 December 2017: approximately HK\$15,636 million) was approximately 28.0% (31 December 2017: approximately 28.6%). The decrease in gearing ratio was mainly due to the decrease in bank borrowings as at 31 December 2018 as compared with 31 December 2017.

Financial Ratios

Inventory turnover days of the Group during the year of approximately 73 days (2017: approximately 85 days) was lower than that of 2017 as the Group imposed tighter inventory control policies. There was an increase in the Group's inventories of approximately 2.8% to approximately HK\$1,590 million as at 31 December 2018 from approximately HK\$1,546 million as at 31 December 2017.

Trade receivables turnover days of the Group during the year slightly increased to approximately 131 days (2017: approximately 129 days). Trade receivables as at 31 December 2018 increased to approximately HK\$3,262 million, compared to approximately HK\$2,745 million as at 31 December 2017.

Trade and bills payables turnover days of the Group during the year remained relatively stable at approximately 50 days (2017: approximately 51 days).



Pledge of Assets

As at 31 December 2018, certain land and buildings of the Group with a net carrying amount of approximately HK\$21 million (2017: approximately HK\$22 million) 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 will have adverse effect on the Group's profitability and vice versa. During the year, the Group recorded exchange gains of approximately HK\$142 million (2017: exchange losses of approximately HK\$99 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 2018, the Group had approximately 39,000 employees (31 December 2017: approximately 32,000 employees). The Group recorded staff costs of approximately HK\$2,661 million (2017: approximately HK\$2,144 million).

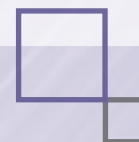
The Group's employees are remunerated in line with prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual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

Capital Commitment

As at 31 December 2018, 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\$148 million (31 December 2017: approximately HK\$206 million).

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.



Possible risks and uncertainties

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

(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 past few years. The demand on casing products therefore remained weak.

Following the principals 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 any 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 the stable source of the income to the Group. The business development of the Group is therefore highly limited to the saturation of global PC market.

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 sluggish demand

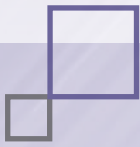
Sluggish demand on the casing products for the notebook computers result in fierce competition among the industry. Since 2015, due to the downturn of market of notebook computers and handheld devices, the demand on the casing products has become weak. In order to maintain the market, casing manufacturers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

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

(4) Risk of rising labour cost in the PRC

As the factories of the Group are mainly located in the PRC, the increase of labour costs in the PRC will adversely affect the profitability the Group.

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



Environmental policy

The Group has strong commitment towards environmental protection. The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability. Details of which are disclosed in our Environmental, Social and Governance report, which will be issued separately by the Company.

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 economics 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.



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

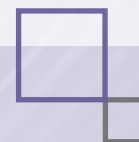
DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 60, 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 33 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. Chiu Hui-Chin (邱輝欽), aged 65, 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 32 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. Mr. Chiu was 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 58, 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 26 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 60, 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 research & development (“R&D”) center of notebook computer and was responsible for the leading 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 a US enterprise’s 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 of the R & D 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 50, is an executive Director, chief financial officer and director of a subsidiary of the Group. He is responsible for the overall financial management. 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 25 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, Cabbeen Fashion Limited (Stock code: 2030) since 18 February 2013 and Intron Technology Holdings Limited (Stock code: 1760) since 22 June 2018. Mr. Tsui was appointed as an executive Director on 10 June 2005.

Independent non-executive Directors

Mr. Cherng Chia-Jiun (程嘉君), aged 64, 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. 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 the 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.



Mr. Tsai Wen-Yu (蔡文預), aged 66, 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 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 53, is an independent non-executive Director. He has more than 27 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, Yida China Holdings Limited (stock code: 3639) since June 2014 and Pantronics Holdings Limited (stock code: 1611) since October 2018. Mr. Yip was appointed as an independent non-executive Director on 25 May 2006.

Senior Management

Mr. Huang Cheng-Pin (黃正斌), aged 53, 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 21 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 and funding matters.

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, and joined the Group in 2013. Mr. Lee is responsible for management and supervision on new product development in the Group.

Mr. Lu Fu-Hsing (呂福興), aged 53, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. He joined the Group in 2003 and is responsible for the overall operation management of Suzhou Dazhi. Mr. Lu has over 29 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. Liu Wei-Cheng (劉為政), aged 61, is a senior 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 30 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. Yeh Chih-Yuan (葉志原), aged 53, is a senior associate vice president of the Group who joined the Group in 2004 and is responsible for the overall operation management of Compal Precision Module (Jiangsu) Company Limited, a non-wholly owned subsidiary of the Group. Mr. Yeh has been working in the plastic product surface coating industry for over 29 years. He 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.

Mr. Chu San-Tai (朱三泰), aged 44, is an associate vice president of the Group who joined the Group in 2003 and is responsible for the overall operation management of factories in Neijiang and Chongqing regions. Mr. Chu has 23 years of experience in quality control. He is responsible for the supervision of the Group's quality control department, all quality control system certifications, and quality control system set-up, planning and maintenance.

Mr. Hsieh Min-Ta (謝旻達), aged 42, is an associate vice president of the Group who joined the Group in 2001, and is responsible for the overall operation management of Juteng Electronics Technology (Taizhou) Co., Ltd. Mr. Hsieh is responsible for the planning and production management for the painting process, improving efficiency and reducing costs.

Mr. Lin Tsung-I (林宗宜), aged 43, is an associate vice president of the Group who joined the Group in 2004, and is responsible for the overall operation management of WIS Precision (Taizhou) Co., Ltd. a non-wholly owned subsidiary of the Group. Mr. Lin has over 19 years of experience in exterior painting of plastic and aluminum-magnesium products. He is responsible planning and production management for the surface coating process of the Group's aluminum-magnesium casing products, improving efficiency and reducing costs, and developing new technologies related to three-dimensional coating.

Mr. Tseng Peng-Lin (曾鵬霖), aged 52, is a manager of the Group who joined the Group in 2006, and is responsible for the overall operation management of Lian-Yi Precision (Zhongshan) Inc. a non-wholly owned subsidiary of the Group. Mr. Tseng has over 30 years of experience in plastic products. He is responsible for improving efficiency, reducing costs and product development (including engineering/assembly processing and quality management).

Company Secretary

Ms. Cheung Lai Yin has been appointed as the company secretary of the Company with effect from 31 January 2019. She is a practising solicitor in Hong Kong working at Chiu & Partners, the Company's legal advisers as to Hong Kong laws, in the field of commercial and corporate finance. Ms. Cheung graduated from the University of Hong Kong with a Bachelor of Laws degree.



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 2018.

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 2018 is set in the section headed “Management Discussion and Analysis” on pages 6 to 12 of this annual report.

RESULTS AND DIVIDEND

The Group’s profit for the year ended 31 December 2018 and the Group’s financial position at 31 December 2018 are set out in the financial statements on pages 46 to 135 of this annual report.

The Directors recommend the payment of a final dividend of HK10 cents per share in respect of the year ended 31 December 2018 (2017: HK8 cents per share) to shareholders whose names appear on the register of members of the Company on 24 May 2019 subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

DIVIDEND POLICY AND PROPOSED FINAL DIVIDENDS

The amount of dividends to be declared by the Company will depend on the Group’s results, working capital requirements, cash positions, the provision of relevant laws of the PRC and other factors that the Directors consider relevant from time to time, subject to the availability of the cash and distributable reserves, investment requirement, cashflow and the working capital requirements of the Group. The undistributed profit will be used to finance the continued growth and expansion of the business of the Group.

SUMMARY FINANCIAL INFORMATION

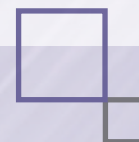
A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 136 of this annual report. Such summary does not form part of the audited financial statements of the Group for the year ended 31 December 2018.

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 2018.

ISSUE OF SHARES

During the year ended 31 December 2018, the Company issued a total of 18,792,000 ordinary shares of the Company for HK\$1.48 pursuant to the exercise of subscription rights attached to the share options (the "Share Options") under the share option scheme (the "Share Option Scheme") adopted on 11 May 2015 by the holder(s) of the Share Options. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in this report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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\$4,523,293,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$1,424,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 85% 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 2018. 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

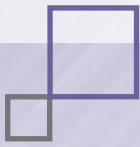
The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Cheng Li-Yu (*Chairman*)
Mr. Chiu Hui-Chin (*Chief Executive Officer*)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh
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. Chiu Hui-Chin, Mr. Huang Kuo-Kuang, and Mr. Tsai Wen-Yu 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.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") 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 MANAGERMENTS' 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 13 to 16 of this annual report.

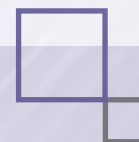
DIRECTORS' SERVICE CONTRACTS

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 MANAGERMENTS' 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 2018 is set out below:

Remuneration bands	Number of senior management
Nil to HK\$500,000	3
HK\$500,001 to HK\$1,000,000	3
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	–
HK\$3,000,001 to HK\$3,500,000	2
HK\$3,500,001 to HK\$4,000,000	1
	14

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 35 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 35 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 35 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.

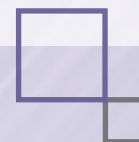
PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2018 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 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 2018, 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:



Name of Directors		Long positions Number of ordinary shares of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives				Approximate percentage of the Company's issued share capital
		Personal interests	Interests of spouse	Other interests	Total interests	
Mr. Cheng Li-Yu	Shares	20,000,000	7,064,046	303,240,986 (Note 1)	330,305,032	28.32%
					<u>330,305,032</u>	<u>28.32%</u>
Mr. Cherng Chia-Jiun	Shares	210,000	–	–	210,000	0.01%
	Equity Derivatives: Share Options (Note 2)	360,000	–	–	360,000	0.04%
					<u>570,000</u>	<u>0.05%</u>
Mr. Chiu Hui-Chin	Shares	5,300,000	–	–	5,300,000	0.46%
	Equity Derivatives: Share Options (Note 2)	1,200,000	–	–	1,200,000	0.10%
					<u>6,500,000</u>	<u>0.56%</u>
Mr. Huang Kuo-Kuang	Shares	7,781,866	2,300,631	–	10,082,497	0.86%
	Equity Derivatives: Share Options (Note 2)	1,008,000	–	–	1,008,000	0.09%
					<u>11,090,497</u>	<u>0.95%</u>
Mr. Lin Feng-Chieh	Shares	1,224,000	–	–	1,224,000	0.11%
	Equity Derivatives: Share Options (Note 2)	1,200,000	–	–	1,200,000	0.10%
					<u>2,424,000</u>	<u>0.21%</u>
Mr. Tsai Wen-Yu	Shares	176,000	–	–	176,000	0.01%
	Equity Derivatives: Share Options (Note 2)	360,000	–	–	360,000	0.04%
					<u>536,000</u>	<u>0.05%</u>
Mr. Tsui Yung Kwok	Shares	6,156,000	–	–	6,156,000	0.52%
	Equity Derivatives: Share Options (Note 2)	1,008,000	–	–	1,008,000	0.09%
					<u>7,164,000</u>	<u>0.61%</u>
Mr. Yip Wai Ming	Shares	248,000	–	–	248,000	0.02%
	Equity Derivatives: Share Options (Note 2)	288,000	–	–	288,000	0.03%
					<u>536,000</u>	<u>0.05%</u>



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 2018, 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.

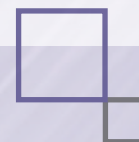
DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 28 to the financial statements, 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.

REPORT OF THE DIRECTORS



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

Name or category of participant	Number of share options					At 31 December 2018	Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year					
Directors										
Mr. Cherng Chia-Jiun	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
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	360,000	-	(300,000)	-	360,000				
Mr. Chiu Hui-Chin	-	300,000	(300,000)	-	-	-	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	-	1,500,000	(300,000)	-	-	1,200,000				
Mr. Huang Kuo-Kuang	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
	-	252,000	(252,000)	-	-	-	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,000,000	1,260,000	(252,000)	(1,000,000)	-	1,008,000				



REPORT OF THE DIRECTORS

Name or category of participant	Number of share options						Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2018				
Mr. Lin Feng-Chieh	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
	-	300,000	(300,000)	-	-	-	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	300,000	-	-	-	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,500,000	1,500,000	(300,000)	(1,500,000)	-	1,200,000				
Mr. Tsai Wen-Yu	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
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	360,000	-	(300,000)	-	360,000				
Mr. Tsui Yung Kwok	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
	-	252,000	(252,000)	-	-	-	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	252,000	-	-	-	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	1,000,000	1,260,000	(252,000)	(1,000,000)	-	1,008,000				

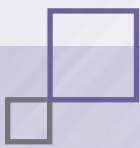
REPORT OF THE DIRECTORS



Name or category of participant	Number of share options						Grant date (Note 1)	Exercise period	Exercise price per Share (Note 2)	Closing price per Share immediately before the grant date
	At 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2018				
Mr. Yip Wai Ming	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
	-	72,000	(72,000)	-	-	-	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	60,000	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	60,000	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	60,000	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	72,000	-	-	-	60,000	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	300,000	360,000	(72,000)	(300,000)	-	288,000				
Other employees										
In aggregate	350,000	-	-	(350,000)	-	-	9-7-2015	7-11-2016 to 31-8-2024	HK\$3.29	HK\$3.00
	348,000	-	-	(348,000)	-	-	9-7-2015	7-11-2017 to 31-8-2024	HK\$3.29	HK\$3.00
	10,410,000	-	-	(9,004,000)	(1,406,000)	-	9-7-2015	7-11-2018 to 31-8-2024	HK\$3.29	HK\$3.00
	10,464,000	-	-	(9,052,000)	(1,412,000)	-	9-7-2015	7-11-2019 to 31-8-2024	HK\$3.29	HK\$3.00
	10,436,000	-	-	(9,028,000)	(1,408,000)	-	9-7-2015	7-11-2020 to 31-8-2024	HK\$3.29	HK\$3.00
	10,464,000	-	-	(9,052,000)	(1,412,000)	-	9-7-2015	7-11-2021 to 31-8-2024	HK\$3.29	HK\$3.00
	10,504,000	-	-	(9,088,000)	(1,416,000)	-	9-7-2015	7-11-2022 to 31-8-2024	HK\$3.29	HK\$3.00
	-	18,274,800	(17,616,000)	-	(179,200)	479,600	3-9-2018	7-11-2018 to 31-8-2024	HK\$1.48	HK\$1.48
	-	18,274,800	-	-	(179,200)	18,095,600	3-9-2018	7-11-2019 to 31-8-2024	HK\$1.48	HK\$1.48
	-	18,274,800	-	-	(179,200)	18,095,600	3-9-2018	7-11-2020 to 31-8-2024	HK\$1.48	HK\$1.48
	-	18,274,800	-	-	(179,200)	18,095,600	3-9-2018	7-11-2021 to 31-8-2024	HK\$1.48	HK\$1.48
	-	18,274,800	-	-	(179,200)	18,095,600	3-9-2018	7-11-2022 to 31-8-2024	HK\$1.48	HK\$1.48
	52,976,000	91,374,000	(17,616,000)	(45,922,000)	(7,950,000)	72,862,000				
	57,376,000	97,974,000	(18,792,000)	(50,322,000)	(7,950,000)	78,286,000				

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 Share Option Scheme.
3. The weighted average closing share price immediately before the date on which the Share Options were exercised was HK\$2.24 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 purpose of the Plan is to recognize the contribution by eligible participants under the Plan 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.

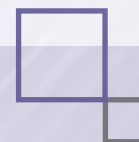
The Plan will remain in force for a period of 30 years since the date of adoption of the Plan. Early termination may be done by the Board.

During the year ended 31 December 2018, no share award has been granted by the Board to any selected participants.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, 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:

Name of shareholders	Capacity and nature of interest	Long positions	
		Number of Shares	Approximate percentage of the Company's issued share capital
Southern Asia	Beneficial owner	303,240,986	26.00%
Shine Century Assets Corp. (Note 1)	Interest of controlled corporations	303,240,986	26.00%
East Asia International Trustee Limited (Note 1)	Trustee (other than a bare trustee)	303,240,986	26.00%
Ms. Lin Mei-Li (Note 2)	Beneficial owner	7,064,046	0.61%
	Interest of spouse	323,240,986	27.71%
		<hr/>	
		330,305,032	28.32%
Bank of Communications Trustee Limited	Trustee	227,063,774	19.47%



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.

Save as disclosed above, as at 31 December 2018, 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.

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 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. The master sales agreement had subsequently been renewed on 31 October 2011 and 10 December 2014, each for a term of three years commencing from the expiry of the then current term. 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. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK\$485,497,000 for the year ended 31 December 2018 (2017: HK\$528,037,000).

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. The master sales agreement had subsequently been renewed on 15 November 2011 and 30 December 2014, each for a term of three years commencing from the expiry of the then current term. 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. The total sales of the Products by the Group to the Compal Group amount to approximately HK\$1,736,073,000 for the year ended 31 December 2018 (2017: HK\$1,536,583,000).

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.

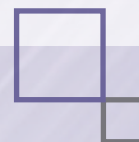
Ernst & Young, the Company’s auditors, were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 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 their findings and conclusions in respect of the continuing connected transactions disclosed in (a) and (b) above by the Group in accordance with the Listing Rules and confirming the matters as stated in 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 2018.

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

19 March 2019



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 Listing Rules. 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. The Company had complied with the code provisions of the CG Code for the year ended 31 December 2018 and up to the date of this annual report.

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 2018.

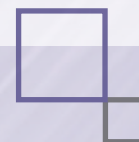
The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company’s overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing 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 2018. 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 2018.

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. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2018, the Board convened a total of five Board meetings (exclusive of meetings of Board committee constituted by the Board held during the year) and one 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:

Name of Directors	Board meeting		General meeting	
	Number of meeting held	Number of meeting attended	Number of meeting held	Number of meeting attended
Executive Directors				
Mr. Cheng Li-Yu (<i>Chairman</i>)	5	5	1	1
Mr. Chiu Hui-Chin (<i>Chief Executive</i>)	5	5	1	1
Mr. Huang Kuo-Kuang	5	5	1	0
Mr. Lin Feng-Chieh	5	5	1	0
Mr. Tsui Yung Kwok	5	5	1	1
Independent non-executive Directors				
Mr. Cherng Chia-Jiun	5	4	1	0
Mr. Tsai Wen-Yu	5	4	1	0
Mr. Yip Wai Ming	5	5	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 2018, the Company has arranged, and each of Directors, has attended training seminar provided by professional bodies.



COMMITTEES OF THE BOARD

As at 31 December 2018, the Board had 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.

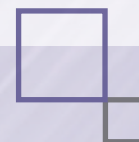
The CG Committee is mainly responsible for keeping the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The CG Committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance 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 2018 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 (<i>Chairman</i>)	1	1
Mr. Cheng Li-Yu	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-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.

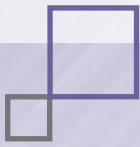
The Board has adopted written policy for the nomination of new director. In evaluating and selecting any candidate for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities.

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 convened one meeting for the year ended 31 December 2018 to review the structure and composition of the Board, review a policy on board diversity adopted by the Board (the "Board Diversity Policy") and monitor the progress on achieving the measurable objectives (the "Measurable Objectives") set out in the Board Diversity Policy. 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 (<i>Chairman</i>)	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. The Board Diversity Policy endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. For the year ended 31 December 2018, the Company has achieved the following Measurable Objectives that the Board has for implementing the Board Diversity Policy:



- (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.

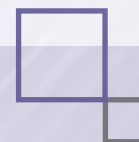
AUDIT COMMITTEE AND ACCOUNTABILITY

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 2018, the Audit Committee met with the external auditors to review and approve the audit plans. It also reviewed the Group's annual results of 2017 and interim results of 2018 and the audit findings with the attendance of the external auditors and executive Directors.



The Audit Committee convened a total of 4 meetings for the year ended 31 December 2018. 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 (<i>Chairman</i>)	4	3
Mr. Tsai Wen-Yu	4	4
Mr. Yip Wai Ming	4	4

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.

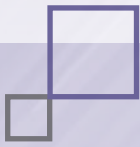
The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration, bonuses and welfare benefits for the executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. For the year ended 31 December 2018, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened 1 meeting for the year ended 31 December 2018. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Cherng Chia-Jiun (<i>Chairman</i>)	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

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\$3,950,000 and non-audit service fees of approximately HK\$1,896,000, 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 auditor's 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.

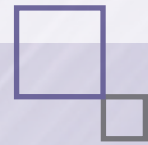
The Company Secretary is also in charge of preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be minuted in details. Within 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 year.

With effect from 31 January 2019, Ms. Cheung Lai Yin of Chiu & Partners, an external service provider, has been appointed by the Company as the company secretary. Her primary contact person at the Company is Mr. Tsui Yung Kwok (an executive Director of the Company).

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 2018 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.



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 46 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Assessment of inventory provision

As at 31 December 2018, the net carrying value of the Group's inventories amounted to HK\$1,589,528,000. The assessment of inventory provision is based on the estimated net realisable value of inventories, which requires significant management judgements and estimates. Management considers various factors, including the conditions and ageing of inventories, sales pattern and selling prices of inventories, market demand and the Group's future plan of usage or sale of inventories. Management's provision assessment involves a high level of judgements and estimates, and is subject to uncertainty due to rapid changes of the notebook and tablet computer market.

Our audit procedures included, among others, evaluating management's assessment methodology based on the Group's circumstances, and evaluating the inputs and assumptions applied by management in performing the provision assessment by reviewing the ageing, the historical usage and sales patterns, the post year-end usage, sales and selling prices, of selected samples of inventories.

Related disclosures about inventories are included in notes 4 and 18 to the consolidated financial statements.

Impairment assessment of goodwill

As at 31 December 2018, the carrying amount of goodwill was HK\$53,985,000. The Group performs an impairment test for goodwill on an annual basis. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is associated. Management's assessment process involves significant judgements and estimates, including the estimation of future cash flows and the use of other assumptions, such as the terminal growth rate and the discount rate applied, which are sensitive to expected future market or economic conditions and the cash-generating unit's performance in the foreseeable future.

Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies and key assumptions used by management in the discounted cash flow projections, including the discount rate and terminal growth rate. We also compared the projections prepared by management with the historical performance of the cash-generating unit and the business development plan.

Related disclosures about goodwill are included in notes 4 and 16 to the 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

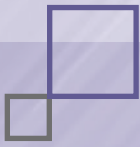
How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment was HK\$7,728,064,000, which represented approximately 52% of the Group's total assets. Management assessed whether there are any indicators of impairment for the property, plant and equipment at the end of each reporting year, and performed an impairment assessment when an impairment indicator was identified. Management's impairment assessment process involves significant judgements and estimates, including the estimation of future cash flows and the use of other assumptions, such as the terminal growth rate and the discount rate applied, that are sensitive to expected future market or economic conditions and the cash-generating unit's performance in the foreseeable future.

Related disclosures about property, plant and equipment are included in notes 4 and 14 to the consolidated financial statements.

Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies and key assumptions used by management in the discounted cash flow projections, including the discount rate and the terminal growth rate. We also compared the projections prepared by management with the historical performance of the cash-generating unit and the business development plan.



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

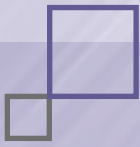
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Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

As part of an audit in accordance with HKSA's, 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.



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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Kwong Ka Yan.

Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018



	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	6	9,072,101	7,751,797
Cost of sales		(7,990,787)	(6,647,762)
Gross profit		1,081,314	1,104,035
Other income and gains	6	270,292	212,988
Selling and distribution expenses		(125,531)	(109,333)
Administrative expenses		(711,675)	(702,063)
Other expenses		(15,334)	(134,451)
Finance costs	7	(161,153)	(108,661)
PROFIT BEFORE TAX	8	337,913	262,515
Income tax expense	11	(137,569)	(95,163)
PROFIT FOR THE YEAR		200,344	167,352
Attributable to:			
Equity holders of the Company		138,660	76,929
Non-controlling interests		61,684	90,423
		200,344	167,352
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
– Basic (HK cents)		14.1	7.0
– Diluted (HK cents)		14.1	6.9



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
PROFIT FOR THE YEAR		200,344	167,352
OTHER COMPREHENSIVE INCOME/(EXPENSES)			
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(610,699)	812,617
Available-for-sale investment:			
Change in fair value	21	–	10,265
Income tax effect	17	–	(1,162)
		–	9,103
Net other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods		(610,699)	821,720
Other comprehensive expenses that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Change in fair value	21	(14,225)	–
Income tax effect	17	1,162	–
		(13,063)	–
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX		(623,762)	821,720
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		(423,418)	989,072
Attributable to:			
Equity holders of the Company		(379,642)	770,155
Non-controlling interests		(43,776)	218,917
		(423,418)	989,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018



	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	7,728,064	8,462,966
Lease premium for land	15	552,232	596,427
Goodwill	16	53,985	53,985
Deferred tax assets	17	70,658	52,855
Prepayments for acquisition of property, plant and equipment		12,489	8,790
Equity investment designated at fair value through other comprehensive income	21	10,826	–
Available-for-sale investment	21	–	24,987
Total non-current assets		8,428,254	9,200,010
CURRENT ASSETS			
Inventories	18	1,589,528	1,545,656
Trade receivables	19	3,261,538	2,744,612
Prepayments, deposits and other receivables	20	307,248	354,903
Pledged and restricted bank balances	22	66,400	39,809
Cash and cash equivalents	22	1,157,244	1,750,770
Total current assets		6,381,958	6,435,750
CURRENT LIABILITIES			
Trade and bills payables	23	1,099,014	919,973
Other payables and accruals	24	1,635,675	1,491,665
Tax payable		202,795	200,547
Interest-bearing bank borrowings	25	2,958,305	2,463,662
Total current liabilities		5,895,789	5,075,847
NET CURRENT ASSETS		486,169	1,359,903
TOTAL ASSETS LESS CURRENT LIABILITIES		8,914,423	10,559,913



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	1,185,962	2,005,317
Deferred income	26	44,220	154,127
Deferred tax liabilities	17	60,439	52,084
<hr/>			
Total non-current liabilities		1,290,621	2,211,528
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Net assets		7,623,802	8,348,385
<hr/>			
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	116,634	114,755
Reserves	29	5,960,714	6,632,921
<hr/>			
		6,077,348	6,747,676
<hr/>			
Non-controlling interests		1,546,454	1,600,709
<hr/>			
Total equity		7,623,802	8,348,385

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018



	Attributable to equity holders of the Company												
	Notes	Share premium		Shares held under award plan	Employee share-based compensation reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Available-for-sale investment revaluation reserve	Other reserves	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 27)	Note (c)	Note (c)	Note (c)	Notes (a),(c)	Note (c)	Note (c)	Note (c)	Note (c)	Notes (b),(c)		
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 an available-for-sale investment, net of tax	-	-	-	-	-	-	-	9,103	-	9,103	-	9,103	
Exchange differences on translation of 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	



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2018

	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/ Fair value 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 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											
Effect of adoption of HKFRS 9	3.1(a)	-	-	-	-	-	-	(3,015)	-	-	(3,015)	-	(3,015)											
At 1 January 2018 (restated)		114,755	25,571	(308,818)	86,298	216,125	226,960	6,045,202	9,103	329,465	6,744,661	1,600,709	8,345,370											
Profit for the year		-	-	-	-	-	-	138,660	-	-	138,660	61,684	200,344											
Other comprehensive income/ (expenses) for the year:																								
Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	(13,063)	-	(13,063)	-	(13,063)											
Exchange differences on translation of foreign operations		-	-	-	-	-	(505,239)	-	-	-	(505,239)	(105,460)	(610,699)											
Total comprehensive income/ (expenses) for the year		-	-	-	-	-	(505,239)	138,660	(13,063)	-	(379,642)	(43,776)	(423,418)											
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	(5,502)	(5,502)	(10,479)	(15,981)											
Issue of shares in connection with the exercise of share options	27(i)	1,879	59,696	-	(33,763)	-	-	-	-	-	27,812	-	27,812											
Purchase of shares under the share award plan		-	-	(259,714)	-	-	-	-	-	-	(259,714)	-	(259,714)											
Dividend received under the share award plan		-	-	12,309	-	-	-	-	-	-	12,309	-	12,309											
Share-based compensation arrangements	28	-	-	-	29,228	-	-	-	-	-	29,228	-	29,228											
2017 final dividend		-	-	-	-	-	-	(91,804)	-	-	(91,804)	-	(91,804)											
At 31 December 2018		116,634	85,267	(556,223)	81,763	216,125	(278,279)	6,092,058	(3,960)	323,963	6,077,348	1,546,454	7,623,802											

Notes:

- 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.
- The other reserves comprise capital reserve which represents profits of the Company's subsidiaries capitalised during the prior years and other capital reserve.
- These reserve accounts comprise the consolidated reserves of HK\$5,960,714,000 (2017: HK\$6,632,921,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018



	Notes	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		337,913	262,515
Adjustments for:			
Finance costs	7	161,153	108,661
Interest income	6	(31,147)	(21,594)
Dividend income from an equity investment designated at fair value through other comprehensive income/available-for-sale investment	6	–	(361)
Write-back of long outstanding trade payables, other payables and accruals		(10,216)	–
Depreciation	8	1,067,527	1,026,830
Amortisation of lease premium for land	8	14,495	12,923
Loss on disposal of items of property, plant and equipment, net	8	240	8,220
Reversal of impairment of trade receivables	8	(1,615)	(50)
Write-off of trade receivables	8	6,936	–
Reversal of impairment of other receivables	8	–	(320)
Provision/(reversal of provision) for inventories, net	8	32,131	(51,769)
Recognition of deferred income		(142,648)	(142,699)
Equity-settled share option expenses	28(a)	29,228	24,131
Equity-settled share award expense	28(b)	–	22,100
		1,463,997	1,248,587
Increase in inventories		(159,750)	(91,708)
Decrease/(increase) in trade receivables		(660,789)	307,656
Decrease in prepayments, deposits and other receivables		33,138	55,200
Increase/(decrease) in trade and bills payables		234,028	(181,505)
Increase/(decrease) in other payables and accruals		210,617	(3,711)
		1,121,241	1,334,519
Cash generated from operations		1,121,241	1,334,519
PRC income tax paid		(141,855)	(129,324)
Overseas income tax paid		(459)	(4,580)
Withholding tax paid		(2,889)	(512)
Interest received		31,147	21,594
Interest paid		(172,215)	(117,482)
		834,970	1,104,215
Net cash flows from operating activities		834,970	1,104,215



CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Net cash flows from operating activities		834,970	1,104,215
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(886,894)	(1,010,880)
Additions of lease premium for land		–	(97,050)
Proceeds from disposal of items of property, plant and equipment		179,816	185,991
Relocation compensation income received		–	395,637
Dividend received		–	361
Increase in pledged and restricted bank balances		(26,591)	(7,060)
Decrease/(increase) in prepayments for acquisition of property, plant and equipment		(12,489)	64,382
Net cash flows used in investing activities		(746,158)	(468,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		2,591,079	2,273,456
Repayment of bank loans		(2,911,437)	(2,292,807)
Dividend paid		(91,804)	(113,471)
Proceeds from issue of shares in connection with the exercise of share options	27	27,812	12,457
Acquisition of a non-controlling interest		(15,981)	–
Purchase of shares held under the share award plan		(259,714)	(329,898)
Dividend received under the share award plan		12,309	–
Dividend paid to a non-controlling interest		(13,128)	–
Net cash flows used in financing activities		(660,864)	(450,263)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(572,052)	185,333
Cash and cash equivalents at beginning of year		1,750,770	1,529,053
Effect of foreign exchange rate changes, net		(21,474)	36,384
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,157,244	1,750,770
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	1,157,244	1,750,770
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		1,157,244	1,750,770

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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 principal 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
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
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
Gi Li Co., Ltd. @	ROC	NT\$105,000,000 Ordinary	100%	Sale of casings and related materials
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 Ordinary	71%	Investment holding



NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal 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
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
Dynamic Apex Macao Commercial Offshore Limited @	Macau	MOP100,000	100%	Sale of casing and related materials
Chengyang Precision Mould (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%	Sale of computer equipment and peripherals
Lian-Yi Precision (Zhongshan) Inc. *@	PRC	US\$33,400,000	71%	Manufacture and sale 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
Advance Step International Ltd. @	Samoa/ROC	US\$5,000 Ordinary	59.28%	Sale of casings and related materials
Compal Precision Module China Holdings Ltd. @	Mauritius/ROC	US\$236,267,926 Ordinary	59.28%	Investment holding and sale of casings and related materials

NOTES TO FINANCIAL STATEMENTS

31 December 2018



1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal 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
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 Ordinary	59.28%	Investment holding
Compal Electronic Technology (Chongqing) Co., Ltd *@	PRC	US\$60,000,000	59.28%	Manufacture and sale of casings
Jiang Su Inoac Juteng Polymer Co., Ltd. *@	PRC	US\$6,000,000	81.46% (2017: 62.17%)	Manufacture and sale of materials
Wujiang Dading Precision Mould Co., Ltd. *@	PRC	US\$80,000,000	100%	Manufacture and sale of casings
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
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
Juteng Electronic Technology (Taizhou) Co., Ltd. *@	PRC	US\$125,000,000 (2017: 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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



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 equity 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. 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 HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

- (a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").



3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS 39 measurement			ECL	HKFRS 9 measurement	
		Category	Amount HK\$'000	Reclassification HK\$'000		Amount HK\$'000	Category
Financial assets							
Equity investment designated at fair value through other comprehensive income	(i)	N/A	–	24,987	–	24,987	FVOCI ¹ (equity)
Available-for-sale investment	(i)	AFS ²	24,987	(24,987)	–	–	N/A
Trade receivables	(ii)	L&R ³	2,744,612	–	(3,015)	2,741,597	AC ⁴
Financial assets included in prepayments, deposits and other receivables		L&R ³	258,665	–	–	258,665	AC ⁴
Pledged and restricted bank balances		L&R ³	39,809	–	–	39,809	AC ⁴
Cash and cash equivalents		L&R ³	1,750,770	–	–	1,750,770	AC ⁴
			4,818,843	–	(3,015)	4,815,828	
Financial liabilities							
Trade and bills payables		AC ⁴	919,973	–	–	919,973	AC ⁴
Financial liabilities included in other payables and accruals		AC ⁴	922,856	–	–	922,856	AC ⁴
Interest-bearing bank borrowings		AC ⁴	4,468,979	–	–	4,468,979	AC ⁴
			6,311,808	–	–	6,311,808	

¹ FVOCI: Financial asset at fair value through other comprehensive income

² AFS: Available-for-sale investment

³ L&R: Loans and receivables

⁴ AC: Financial assets or financial liabilities at amortised cost

Notes:

- (i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as an equity investment at fair value through other comprehensive income.
- (ii) The gross carrying amount of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amount before the measurement of ECLs.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 19 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 HK\$'000		Re-measurement HK\$'000	ECL allowances under HKFRS 9 at 1 January 2018 HK\$'000
Trade receivables	–		3,015	3,015

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits HK\$'000
Balance as at 31 December 2017 under HKAS 39	6,048,217
Recognition of ECLs for trade receivables under HKFRS 9	(3,015)
Balance as at 1 January 2018 under HKFRS 9	6,045,202



3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 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 disclosures are included in notes 4 and 6 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 3.3 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's contracts with customers for the sale of goods include only one single performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point of time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group has concluded that the initial application of HKFRS 15 has had no significant impact on the Group's revenue recognition.

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$32,127,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK\$35,097,000 was classified as contract liabilities in relation to the consideration received from customers in advance for the sale of goods.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to the following standards: <ul style="list-style-type: none">– HKFRS 3 <i>Business Combinations</i>¹– HKFRS 11 <i>Joint Arrangements</i>¹– HKAS 12 <i>Income Taxes</i>¹– HKAS 23 <i>Borrowing Costs</i>¹

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

² Effective for annual periods beginning on or after 1 January 2020

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.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.



3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

HKFRS 16 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 December 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$285,000 and lease liabilities of HK\$287,000 will be recognised at 1 January 2019.



3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 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 interpretation is not expected to have 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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its equity investment 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 sale 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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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 the 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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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.

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.

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).

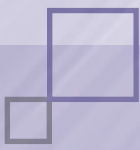
In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

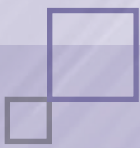
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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:

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 (applicable before 1 January 2018)" below.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Available-for-sale financial investments (continued)

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 within 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.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

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.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, 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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

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.



3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.



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

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast market conditions (such as global shipments of personal computers) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast market conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

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 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 2018 was HK\$1,589,528,000 (2017: HK\$1,545,656,000), 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.

In estimating the withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations 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:

	2018 HK\$'000	2017 HK\$'000
The PRC, excluding Hong Kong	8,939,032	7,611,024
The ROC	112,655	105,228
Others	20,414	35,545
	9,072,101	7,751,797

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018



5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(ii) Non-current assets:

	2018 HK\$'000	2017 HK\$'000
The PRC, excluding Hong Kong	8,200,386	8,972,943
The ROC	146,343	149,197
Others	41	28
	8,346,770	9,122,168

The non-current asset information above, excluding an equity investment designated at fair value through other comprehensive income/available-for-sale investment and deferred tax assets, is based on the locations of the assets.

Information about major customers

Revenues of approximately HK\$2,123,290,000, HK\$1,736,073,000, HK\$1,710,691,000 and HK\$1,516,919,000 for the year ended 31 December 2018 were derived from sales to four 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\$1,769,138,000, 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.



6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue from contracts with customers		
Sale of goods	9,072,101	7,751,797

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2018

	HK\$'000
Geographical markets	
The PRC, excluding Hong Kong	8,939,032
The ROC	112,655
Others	20,414
	9,072,101

(ii) *Performance obligation*

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 120 days from delivery.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



6. REVENUE, OTHER INCOME AND GAINS *(continued)*

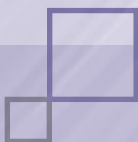
	2018 HK\$'000	2017 HK\$'000
Other income and gains		
Interest income	31,147	21,594
Subsidy income [#]	48,434	143,411
Compensation income	9,760	15,710
Gross rental income	25,325	21,797
Write-back of long outstanding trade payables, other payables and accruals	10,216	3,224
Foreign exchange gains, net	142,261	–
Dividend income	–	361
Others	3,149	6,891
	270,292	212,988

[#] 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:

	2018 HK\$'000	2017 HK\$'000
Interest on bank and other loans	172,215	117,482
Total interest expense on financial liabilities not at fair value through profit or loss	172,215	117,482
Less: Interest capitalised	(11,062)	(8,821)
	161,153	108,661



NOTES TO FINANCIAL STATEMENTS

31 December 2018

8. PROFIT BEFORE TAX

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

	Notes	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold*		7,990,787	6,647,762
Auditor's remuneration		3,950	3,850
Depreciation	14	1,067,527	1,026,830
Amortisation of lease premium for land	15	14,495	12,923
Minimum lease payments under operating leases		4,810	4,959
Provision/(reversal of provision) for inventories, net**		32,131	(51,769)
Reversal of impairment of other receivables***		–	(320)
Reversal of impairment of trade receivables***	19	(1,615)	(50)
Write-off of trade receivables***		6,936	–
Employee benefit expense (excluding directors' remuneration – note 9):			
Wages and salaries, bonuses, allowances and welfare		2,517,046	2,032,309
Equity-settled share option expenses		26,802	22,241
Pension scheme contributions		117,152	89,697
		2,661,000	2,144,247
Gross rental income on owner-occupied properties and machinery		(25,325)	(21,797)
Less: Direct operating expenses arising from rental-earning owner-occupied properties and machinery		4,756	3,888
Net rental income		(20,569)	(17,909)
Loss on disposal of items of property, plant and equipment, net***		240	8,220
Foreign exchange losses/(gains), net****		(142,261)	98,880

* Cost of inventories sold includes HK\$3,474,090,000 (2017: HK\$2,690,427,000) relating to depreciation, employee benefit expense, provision/(reversal of provision) for inventories, net, which are also included in the total amounts disclosed above for each of these types of expenses.

** 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.

**** Foreign exchange losses, net, are included in "Other expenses" on the face of the consolidated statement of profit or loss. Foreign exchange gains, net, are included in "Other income and gains" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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:

	2018 HK\$'000	2017 HK\$'000
Fees	594	594
Other emoluments:		
Salaries, allowances and benefits in kind	8,124	7,458
Performance related bonuses	1,674	1,225
Share-based payments	2,426	23,990
Pension scheme contributions	35	47
	12,259	32,720
	12,853	33,314

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 values of such options and awarded shares, which have been recognised in the statement of profit or loss over the vesting period, were 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' and chief executive's remuneration disclosures.



NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

(a) Independent non-executive directors

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

2018

Name of director	Fees HK\$'000	Share-based payments HK\$'000	Total remuneration HK\$'000
Mr. Cherng Chia-Jiun	198	156	354
Mr. Tsai Wen-Yu	198	156	354
Mr. Yip Wai Ming	198	156	354
	594	468	1,062

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

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2018



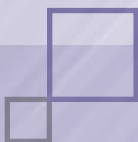
9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Share-based payments HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2018						
Mr. Cheng Li-Yu	-	-	-	-	-	-
Mr. Huang Kuo-Kuang	-	922	263	529	17	1,731
Mr. Chiu Hui-Chin (ii)	-	3,762	941	178	-	4,881
Mr. Lin Feng-Chieh (ii)	-	1,881	470	722	-	3,073
Mr. Tsui Yung Kwok	-	1,559	-	529	18	2,106
	-	8,124	1,674	1,958	35	11,791
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

During the year ended 31 December 2018, there was no arrangement under which a director waived or agreed to waive any remuneration. 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.

- (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 two (2017: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2017: one) highest paid employees who are not directors of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	2,010	695
Performance related bonuses	3,139	1,164
Equity-settled share option expenses	5,067	1,252
Pension scheme contributions	45	13
	10,261	3,124

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	
	2018	2017
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	–
	3	1

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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 (2017: 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.

	2018 HK\$'000	2017 HK\$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	143,359	140,302
Underprovision in prior years	14,856	422
Current – Overseas		
Charge for the year	4,183	26,784
Overprovision in prior years	(13,041)	(36,885)
Deferred tax (note 17)	(11,788)	(35,460)
Total tax charge for the year	137,569	95,163



NOTES TO FINANCIAL STATEMENTS

31 December 2018

11. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) 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:

2018

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	(62,565)		391,753		8,725		337,913	
Tax at the statutory tax rate	(10,323)	(16.5)	97,938	25.0	1,745	20.0	89,360	26.4
Preferential tax rates	-	-	(8,408)	(2.1)	-	-	(8,408)	(2.5)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	-	-	12,928	3.3	-	-	12,928	3.8
Income not subject to tax	(119)	(0.2)	(7,493)	(1.9)	(2,775)	(31.8)	(10,387)	(3.1)
Expenses not deductible for tax	10,442	16.7	8,659	2.2	5,213	59.7	24,314	7.2
Adjustments in respect of current tax of previous periods	-	-	14,856	3.8	(13,041)	(149.4)	1,815	0.6
Tax losses not recognised	-	-	27,947	7.1	-	-	27,947	8.3
Tax charge/(credit) at the Group's effective rate	-	-	146,427	37.4	(8,858)	(101.5)	137,569	40.7

NOTES TO FINANCIAL STATEMENTS

31 December 2018



11. INCOME TAX (continued)

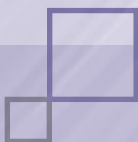
A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates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

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/(credit) at the Group's effective rate	–	–	105,264	60.6	(10,101)	(6.3)	95,163	36.3

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 a 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 preferential rate as their major businesses fall within the Catalogue of Encouraged Industries in the Western Region.



12. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Proposed final – HK10 cents (2017: HK8 cents) per ordinary share	116,634	91,804

The proposed final dividend for the year is subject to the approval of 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 amounts is based on the profit for the year attributable to equity holders of the Company of HK\$138,660,000 (2017: HK\$76,929,000) and the weighted average number of 983,377,279 (2017: 1,101,919,378) ordinary shares in issue excluding shares held under the share award plan during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

For the year ended 31 December 2017, the calculation of the diluted earnings per share amount was based on the profit for that year attributable to equity holders of the Company of HK\$76,929,000. The weighted average number of ordinary shares used in the calculation was 1,101,919,378 ordinary shares in issue excluding shares held under the share award plan during that year, as used in the basic earnings per share calculation, and the weighted average number of 7,812,080 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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 2018							
At 31 December 2017 and 1 January 2018:							
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
At 1 January 2018, net of accumulated depreciation and impairment	3,208,531	2,924	4,325,430	456,807	3,795	465,479	8,462,966
Additions	31,617	2,635	130,965	79,161	258	662,110	906,746
Transfers	143,655	–	577,576	182,375	608	(904,214)	–
Disposals/write-off	(3,334)	–	(160,074)	(1,051)	(438)	(15,159)	(180,056)
Depreciation provided during the year	(205,570)	(328)	(704,646)	(156,149)	(834)	–	(1,067,527)
Exchange realignment	(152,951)	(167)	(182,574)	(45,707)	(179)	(12,487)	(394,065)
At 31 December 2018, net of accumulated depreciation and impairment	3,021,948	5,064	3,986,677	515,436	3,210	195,729	7,728,064
At 31 December 2018:							
Cost	4,450,062	6,673	8,262,651	1,336,290	11,312	195,729	14,262,717
Accumulated depreciation and impairment	(1,428,114)	(1,609)	(4,275,974)	(820,854)	(8,102)	–	(6,534,653)
Net carrying amount	3,021,948	5,064	3,986,677	515,436	3,210	195,729	7,728,064



NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2017							
At 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

As at 31 December 2018, certain of the Group's land and buildings with a net carrying amount of approximately HK\$20,778,000 (2017: HK\$21,773,000) situated in the ROC were pledged to secure general banking facilities granted to the Group (note 25).

As at 31 December 2018, the application of property ownership certificates for certain buildings with a net book value of HK\$378,832,000 (2017: HK\$258,803,000) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



15. LEASE PREMIUM FOR LAND

	2018 HK\$'000	2017 HK\$'000
Net carrying amount at 1 January	610,789	486,086
Additions during the year	–	97,050
Recognised during the year	(14,495)	(12,923)
Exchange realignment	(29,567)	40,576
Carrying amount as at 31 December	566,727	610,789
Current portion included in prepayments, deposits and other receivables	(14,495)	(14,362)
Non-current portion	552,232	596,427

As at 31 December 2018, the Group did not pledge any interest in land to secure banking facilities granted to the Group (2017: Nil).

16. GOODWILL

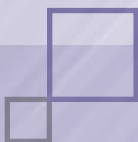
	HK\$'000
Cost and net carrying amount at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	53,985

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 a five-year financial forecast approved by management. The discount rate applied to the cash flow projections is 16.2% and cash flows beyond the five-year period are extrapolated using a growth rate of 3%.

Assumptions were used in the value in use calculation of the manufacture and sale of notebook computer casings cash-generating unit for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**16. GOODWILL** *(continued)***Impairment testing of goodwill** *(continued)*

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

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

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 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, and 1 January 2018	46,813	6,042	52,855
Deferred tax credited to the statement of profit or loss during the year (note 11)	21,229	76	21,305
Exchange realignment	(3,044)	(458)	(3,502)
Gross deferred tax assets at 31 December 2018	64,998	5,660	70,658

The Group had tax losses arising in Mainland China of approximately HK\$611,788,000 (2017: HK\$458,335,000), that will expire in one to five years 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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 equity investment designated at fair value through other comprehensive income/available-for-sale investment HK\$'000	Withholding tax HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 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 and 1 January 2018	922	1,162	50,000	52,084
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	(483)	–	10,000	9,517
Deferred tax credited to equity during the year	–	(1,162)	–	(1,162)
Gross deferred tax liabilities at 31 December 2018	439	–	60,000	60,439



17. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

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\$2,767,066,000 (2017: HK\$2,598,120,000) as at 31 December 2018. 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

	2018 HK\$'000	2017 HK\$'000
Production materials	297,870	259,469
Work in progress	493,682	539,097
Finished goods	608,513	473,816
Moulds and consumable tools	189,463	273,274
	1,589,528	1,545,656

NOTES TO FINANCIAL STATEMENTS

31 December 2018



19. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	3,262,938	2,744,612
Impairment	(1,400)	–
	3,261,538	2,744,612

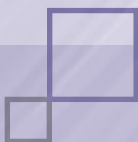
The general credit terms of the Group range from 60 days to 120 days. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2018 HK\$'000	2017 HK\$'000
Within 3 months	2,288,051	1,857,513
4 to 6 months	963,140	853,535
7 to 12 months	10,347	33,564
	3,261,538	2,744,612

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of year	–	50
Effect of adoption of HKFRS 9	3,015	–
At beginning of year (restated)	3,015	50
Reversal of impairment losses, net (note 8)	(1,615)	(50)
At end of year	1,400	–

**19. TRADE RECEIVABLES** *(continued)***Impairment under HKFRS 9 for the year ended 31 December 2018**

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Current	Past due			Total
		1 to 3 months	4 to 6 months	7 to 12 months	
Expected credit loss rate	0.04%	0.03%	4.16%	18.21%	0.04%
Gross carrying amount (HK\$'000)	2,725,271	535,143	2,211	313	3,262,938
ECLs (HK\$'000)	1,090	161	92	57	1,400

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the Group's trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK\$'000
Neither past due nor impaired	2,200,688
1 to 3 months past due	532,519
4 to 6 months past due	10,050
7 to 12 months past due	1,355
	<hr/>
	2,744,612

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Prepayments	87,835	96,238
Deposits and other receivables	219,413	258,665
	307,248	354,903

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 were no recent history of default. The ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided because management estimated that the ECLs as at 31 December 2018 were not significant.

21. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

	2018 HK\$'000	2017 HK\$'000
Equity investment designated at fair value through other comprehensive income		
Overseas listed equity investment, at fair value Paragon Technologies Co., Ltd.	10,826	–
Available-for-sale investment		
Overseas listed equity investment, at fair value	–	24,987

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

During the year ended 31 December 2018, the gross loss in respect of the Group's equity investment designated at fair value through other comprehensive income recognised in other comprehensive income amounted to HK\$14,225,000.



21. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT *(continued)*

During the year ended 31 December 2017, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$10,265,000.

In the opinion of the directors, the equity investment designated at fair value through other comprehensive income/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\$12,863,000.

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

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances, including time deposits with original maturity less than 3 months	1,223,644	1,790,579
Less: Pledged and restricted bank balances	(66,400)	(39,809)
Cash and cash equivalents	1,157,244	1,750,770

Renminbi ("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\$435,779,000 (2017: HK\$1,006,153,000).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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:

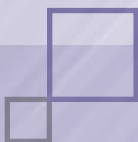
	2018 HK\$'000	2017 HK\$'000
Within 3 months	882,588	679,754
4 to 6 months	204,382	181,257
7 to 12 months	5,620	9,171
Over 1 year	6,424	49,791
	1,099,014	919,973

24. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Deferred income (note 26)	96,874	141,045
Receipt in advance	–	32,127
Contract liabilities [#]	35,097	–
Other payables ^{##}	450,054	379,914
Compensation income received in advance	375,738	395,637
Accruals	677,912	542,942
	1,635,675	1,491,665

[#] Contract liabilities represent receipts in advance from customers for sale of goods.

^{##} Other payables are non-interest-bearing.



NOTES TO FINANCIAL STATEMENTS

31 December 2018

25. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – secured	1.40-4.45	2019	589,012	1.40-3.18	2018	587,572
Bank loans – unsecured	1.55-4.44	2019	2,369,293	1.55-2.70	2018	1,876,090
			2,958,305			2,463,662
Non-current						
Bank loans – secured	1.40-4.45	2020-2027	1,185,962	1.40-3.18	2019-2027	1,770,897
Bank loans – unsecured	–		–	2.10-2.25	2019	234,420
			1,185,962			2,005,317
			4,144,267			4,468,979

	2018 HK\$'000	2017 HK\$'000
Repayable:		
Within one year	2,958,305	2,463,662
In the second year	589,012	821,992
In the third to fifth years, inclusive	591,936	1,176,666
Beyond five years	5,014	6,659
	4,144,267	4,468,979

Notes:

- (a) Certain of the Group's bank loans were secured by:
- (i) 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\$20,778,000 (2017: HK\$21,773,000); and
 - (ii) corporate guarantees executed by the Company to the extent of HK\$3,323,058,000 (2017: HK\$3,795,534,000) as at the end of the reporting period.
- (b) The Group's bank loans with carrying amounts of HK\$4,109,628,000 (2017: HK\$4,430,680,000) and HK\$34,639,000 (2017: HK\$38,299,000) are denominated in United States dollars ("US\$") and New Taiwan dollars ("NT\$"), respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



26. DEFERRED INCOME

	Notes	2018 HK\$'000	2017 HK\$'000
Deferred income related to the transfer of production equipment	(i)	103,357	258,962
Deferred income related to the government subsidies for acquisition of assets	(ii)	37,737	36,210
Carrying amount as at 31 December		141,094	295,172
Current portion (note 24)		(96,874)	(141,045)
Non-current portion		44,220	154,127

Notes:

- (i) Deferred income represented the assignment and transfer of rights, 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

	2018 HK\$'000	2017 HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.1 each	200,000	200,000
Issued and fully paid: 1,166,342,445 (2017: 1,147,550,445) shares of HK\$0.1 each	116,634	114,755

**27. SHARE CAPITAL** (continued)**Shares** (continued)

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

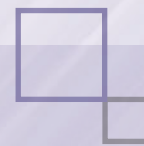
	Number of shares in issue of HK\$0.1 each	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2017	1,134,708,445	113,471	77,697	191,168
Issue of shares in connection with the exercise of share options (note (i))	12,842,000	1,284	11,173	12,457
Transfer from employee share-based compensation reserve	–	–	14,398	14,398
2016 final dividend	–	–	(77,697)	(77,697)
At 31 December 2017 and 1 January 2018	1,147,550,445	114,755	25,571	140,326
Issue of shares in connection with the exercise of share options (note (i))	18,792,000	1,879	25,933	27,812
Transfer from employee share-based compensation reserve	–	–	33,763	33,763
At 31 December 2018	1,166,342,445	116,634	85,267	201,901

Note:

- (i) During the year, the Company issued a total of 18,792,000 (2017: 12,842,000) shares at an exercise price of HK\$1.48 (2017: HK\$0.97) per share, pursuant to the exercise of options granted under the share option scheme of the Company, resulting in the issue of 18,792,000 (2017: 12,842,000) shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$27,812,000 (2017: HK\$12,457,000). A total of HK\$33,763,000 (2017: HK\$14,398,000) was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

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.

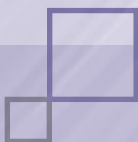
The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme 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.

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 Hong Kong 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.



28. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

On 3 September 2018, the share options previously granted to the directors and certain employees of the Group of 50,322,000 share options granted on 9 July 2015 under the Scheme had been cancelled and replaced (the "Cancelled Share Options").

The Company had granted 97,974,000 new share options under the Scheme to grantees, including holders of the Cancelled Share Options to subscribe for a total of 50,322,000 shares on 3 September 2018 in the replacement of the Cancelled Share Options held by them.

The directors considered that the exercise price for the Cancelled Share Options was higher than the recent market prices of the shares of the Company; and the Cancelled Share Options could no longer serve the purpose of providing incentives of rewards to the holders thereof. The replacement by the new share options, by bringing the exercise price (being HK\$1.48 per share) to the current trading price level of the shares of the Company, would better serve the purpose of the Scheme in providing incentives or rewards to eligible participants who contribute to the success of the Group's operations.

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

	2018		2017	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	3.29	57,376,000	2.86	80,354,000
Exercised	1.48	(18,792,000)	0.97	(12,842,000)
Lapsed/forfeited	3.09	(7,950,000)	2.82	(10,136,000)
Cancelled and replaced	3.29	(50,322,000)	–	–
Granted	1.48	97,974,000	–	–
At 31 December	1.48	78,286,000	3.29	57,376,000

NOTES TO FINANCIAL STATEMENTS

31 December 2018



28. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The weighted average closing share price at the date of exercise for share options exercised during the year was HK\$2.24 per share (2017: HK\$2.60 per share).

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

2018 Number of options	Exercise price* HK\$ per share	Exercise period
623,600	1.48	7-11-2018 to 31-8-2024
19,415,600	1.48	7-11-2019 to 31-8-2024
19,415,600	1.48	7-11-2020 to 31-8-2024
19,415,600	1.48	7-11-2021 to 31-8-2024
19,415,600	1.48	7-11-2022 to 31-8-2024
78,286,000		

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		

* 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 values of the Cancelled Share Options and the new share options were HK\$10,154,000 and HK\$36,476,000, respectively.

The Group recognised a share option expense of HK\$29,228,000 (2017: HK\$24,131,000) during the year ended 31 December 2018 in respect of share options granted/replaced in the current and prior years.

The fair value of the Cancelled Share Options and the incremental 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 (%)	3.48
Expected volatility (%)	45.08
Historical volatility (%)	45.08
Risk-free interest rate (%)	2.72
Expected life of options (year)	1.82-5.82
Underlying price per share (HK\$)	1.48

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 18,792,000 share options exercised during the year resulted in the issue of 18,792,000 ordinary shares of the Company and new share capital of HK\$1,879,000 and share premium of HK\$25,933,000 (before issue expenses), as further detailed in note 27 to the financial statements.

At the end of the reporting period, the Company had 78,286,000 share options outstanding under the Scheme, representing approximately 6.7% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 78,286,000 additional ordinary shares of the Company and additional share capital of HK\$7,829,000 and share premium of HK\$108,034,000 (before issue expenses).



28. EQUITY COMPENSATION PLANS *(continued)*

(b) Share award plan

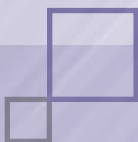
The Board approved the adoption of the new share award plan (the “Share Award Plan”) with effect from 19 May 2017. The purpose of the Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of shares 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.

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 (the “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.

Under the Share Award Plan, a total of 114,716,000 (2017: 119,147,774) shares of the Company were purchased by Bank of Communications Trustee Limited (the “Trustee”) during the year ended 31 December 2018. As at 31 December 2018, a total of 227,063,774 (2017: 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 50 and 51 of the financial statements.



NOTES TO FINANCIAL STATEMENTS

31 December 2018

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:

	2018	2017
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%

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Wah Yuen Group	65,569	101,142
Mindforce Group	(9,689)	(23,083)
Accumulated balances of non-controlling interests at the reporting date:		
Wah Yuen Group	1,300,082	1,328,832
Mindforce Group	177,208	197,358

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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
2018		
Revenue	3,324,589	2,175,748
Total expenses	(3,163,699)	(2,207,583)
Profit/(loss) for the year	160,890	(31,835)
Total comprehensive expenses for the year	(70,741)	(69,222)
Current assets	3,266,095	1,352,061
Non-current assets	2,296,479	891,288
Current liabilities	(2,353,058)	(1,001,873)
Non-current liabilities	(25,158)	(632,909)
Net cash flows from/(used in) operating activities	45,808	(115,859)
Net cash flows from/(used in) investing activities	167,220	(81,363)
Net cash flows from/(used in) financing activities	(35,654)	90,808
Net increase/(decrease) in cash and cash equivalents	177,374	(106,414)

	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/(expenses) 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



31. NOTES 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 rights, titles and obligations for certain equipment back to an independent third party which was of non-cash in nature.

(b) Change in liabilities arising from financing activities

	2018 Interest-bearing bank borrowings HK\$'000
At 1 January 2018	4,468,979
Changes from financing cash flows	(320,358)
Foreign exchange movement	(4,354)
At 31 December 2018	4,144,267

	2017 Interest-bearing bank borrowings 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

32. CONTINGENT LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018



33. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases part of its factory and machinery 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:

	2018 HK\$'000	2017 HK\$'000
Within one year	19,854	19,293
In the second to fifth years, inclusive	75,999	73,386
Over five years	148,868	176,061
	244,721	268,740

(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:

	2018 HK\$'000	2017 HK\$'000
Within one year	1,530	2,552
In the second to fifth years, inclusive	209	1,138
	1,739	3,690



34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments as at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Contracted, but not provided for:		
Land and buildings	61,476	127,332
Machinery and office equipment	86,902	79,144
Total capital commitments	148,378	206,476

35. 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:

	2018 HK\$'000	2017 HK\$'000
Rental expenses paid to:		
Ms. Lin Mei-Li (Note)	63	63

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):

	2018 HK\$'000	2017 HK\$'000
Short term employee benefits	10,875	13,982
Employee share-based compensation expenses	10,786	8,747
Total compensation paid to key management personnel	21,661	22,729

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018



36. 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:

2018

Financial assets

	Financial assets at amortised cost HK\$'000	Equity investment designated at fair value through other comprehensive income HK\$'000	Total HK\$'000
Equity investment designated at fair value through other comprehensive income	–	10,826	10,826
Trade receivables	3,261,538	–	3,261,538
Financial assets included in prepayments, deposits and other receivables	219,413	–	219,413
Pledged and restricted bank balances	66,400	–	66,400
Cash and cash equivalents	1,157,244	–	1,157,244
	4,704,595	10,826	4,715,421

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	1,099,014
Financial liabilities included in other payables and accruals	468,857
Interest-bearing bank borrowings	4,144,267
	5,712,138



NOTES TO FINANCIAL STATEMENTS

31 December 2018

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows: *(continued)*

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	922,856
Interest-bearing bank borrowings	4,468,979
	6,311,808

NOTES TO FINANCIAL STATEMENTS

31 December 2018



37. 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Financial assets				
Equity investment designated at fair value through other comprehensive income:				
Overseas listed equity investment, at fair value	10,826	–	10,826	–
Available-for-sale investment:				
Overseas listed equity investment, at fair value	–	24,987	–	24,987
	10,826	24,987	10,826	24,987

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, pledged and restricted 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.

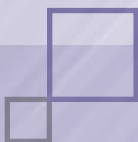
The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, 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 2018 and 31 December 2017 was assessed to be insignificant.

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



37. 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 2018

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investment designated at fair value through other comprehensive income:				
Overseas listed equity investment	10,826	–	–	10,826

As at 31 December 2017

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

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 (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2018



38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank borrowings, pledged and restricted 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 US\$ 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
2018		
United States dollar	50	(20,548)
United States dollar	(50)	20,548
2017		
United States dollar	50	(22,153)
United States dollar	(50)	22,153

**38. 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, certain cash and cash equivalents and interest-bearing bank borrowings in currencies other than the functional currencies of the Group's operating subsidiaries.

Since most of the Group's revenue is denominated in US\$ 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
2018		
If US\$ strengthens against RMB	11.06	351,287
If US\$ weakens against RMB	(11.06)	(351,287)
2017		
If US\$ strengthens against RMB	5.93	166,692
If US\$ weakens against RMB	(5.93)	(166,692)

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 performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers.

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 78% (2017: 76%) of the Group's trade receivables at the end of the reporting period. The loss allowance for impairment of trade receivables was based upon a review of the expected collectability of all trade receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2018



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

Credit risk *(continued)*

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018.

	12-month ECLs	Lifetime ECLs	HK\$'000
	Stage 1 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	3,261,538	3,261,538
Financial assets included in prepayments, deposits and other receivables			
– Normal**	219,413	–	219,413
Pledged and restricted bank balances			
– Not yet past due	66,400	–	66,400
Cash and cash equivalents			
– Not yet past due	1,157,244	–	1,157,244
	1,443,057	3,261,538	4,704,595

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Maximum exposure as at 31 December 2017

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.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.



38. 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:

	2018			Total HK\$'000
	On demand or within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade and bills payables	1,099,014	–	–	1,099,014
Other payables and accruals	468,857	–	–	468,857
Interest-bearing bank borrowings	3,041,991	1,241,889	5,314	4,289,194
	4,609,862	1,241,889	5,314	5,857,065

	2017			Total HK\$'000
	On demand or within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade and bills payables	919,973	–	–	919,973
Other payables and accruals	922,856	–	–	922,856
Interest-bearing bank borrowings	2,545,245	2,095,130	7,152	4,647,527
	4,388,074	2,095,130	7,152	6,490,356

NOTES TO FINANCIAL STATEMENTS

31 December 2018



38. 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 equity investment designated at fair value through other comprehensive income (note 21) as at 31 December 2018 (2017: available-for-sale investment). 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 2018	High/low 2018	31 December 2017	High/low 2017
ROC – TSEC Weighted Index	9,727	11,270/9,401	10,643	10,855/9,292

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 equity investment designated at fair value through other comprehensive income/available-for-sale equity investment, the impact is deemed to be on the fair value reserve/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
2018			
Investment listed in:			
ROC – Equity investment at fair value through other comprehensive income	10,826	52.86	5,723
	10,826	(52.86)	(5,723)
2017			
Investment listed in:			
ROC – Available-for-sale	24,987	54.74	13,678
	24,987	(54.74)	(13,678)

* Excluding retained profits



38. 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 2018 and 31 December 2017.

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:

	2018 HK\$'000	2017 HK\$'000
Total bank borrowings	4,144,267	4,468,979
Total non-current assets	8,428,254	9,200,010
Total current assets	6,381,958	6,435,750
Total assets	14,810,212	15,635,760
Gearing ratio	28%	29%

NOTES TO FINANCIAL STATEMENTS

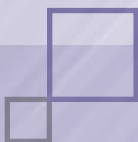
31 December 2018



39. 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:

	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,049,643	70,667
CURRENT ASSETS		
Due from subsidiaries	4,372,122	–
Prepayments, deposits and other receivables	325	243
Restricted bank balances	1,388	3,777
Cash and cash equivalents	1,322	28,385
Total current assets	4,375,157	32,405
CURRENT LIABILITIES		
Due to a subsidiary	1,253,641	–
Other payables and accruals	5,692	5,211
Total current liabilities	1,259,333	5,211
NET CURRENT ASSETS	3,115,824	27,194
Net assets	4,165,467	97,861
EQUITY		
Issued capital	116,634	114,755
Reserves (note)	4,048,833	(16,894)
Total equity	4,165,467	97,861



NOTES TO FINANCIAL STATEMENTS

31 December 2018

39. 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	Retained profit/ (accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 January 2017	77,697	–	75,545	351,832	(106,834)	398,240
Total comprehensive expense 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 the 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 and 1 January 2018	25,571	(308,818)	86,298	316,058	(136,003)	(16,894)
Total comprehensive income for the year	–	–	–	–	4,349,775	4,349,775
Issue of shares in connection with the exercise of share options	59,696	–	(33,763)	–	–	25,933
Purchase of shares under the share award plan	–	(259,714)	–	–	–	(259,714)
Dividend received under the share award plan	–	12,309	–	–	–	12,309
Share-based compensation arrangements	–	–	29,228	–	–	29,228
2017 final dividend	–	–	–	–	(91,804)	(91,804)
As 31 December 2018	85,267	(556,223)	81,763	316,058	4,121,968	4,048,833

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 (i) be transferred to the share premium account when the related options are exercised; (ii) be transferred to retained profits should the related options expire; or (iii) be credited to the statement of profit or loss should the related options be forfeited.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

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

	2018 HK\$'000	Year ended 31 December			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
REVENUE	9,072,101	7,751,797	8,002,359	8,936,133	9,571,195
PROFIT BEFORE TAX	337,913	262,515	746,139	1,150,174	1,009,364
Income tax expense	(137,569)	(95,163)	(156,412)	(204,919)	(184,957)
PROFIT FOR THE YEAR	200,344	167,352	589,727	945,255	824,407
Attributable to:					
Equity holders of the Company	138,660	76,929	500,586	874,957	764,667
Non-controlling interests	61,684	90,423	89,141	70,298	59,740
	200,344	167,352	589,727	945,255	824,407

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2018 HK\$'000	As at 31 December			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
TOTAL ASSETS	14,810,212	15,635,760	14,808,291	15,455,983	16,132,374
TOTAL LIABILITIES	(7,186,410)	(7,287,375)	(7,064,297)	(7,528,576)	(8,174,809)
NON-CONTROLLING INTERESTS	(1,546,454)	(1,600,709)	(1,381,792)	(1,381,509)	(1,410,295)
	6,077,348	6,747,676	6,362,202	6,545,898	6,547,270