



**SOLOMON
SYSTECH**
晶門科技

solutions in silicon

BUILDING for
建構明天 **Tomorrow** **2017**

ANNUAL REPORT 年報

Solomon Systech (International) Limited

Stock Code 股份代號: 2878



CORPORATE PROFILE

公司簡介

Solomon Systech (International) Limited and its subsidiaries as a Group is a leading semiconductor company specializing in the design, development and sales of proprietary display and touch integrated circuits products and system solutions that enable a wide range of display and touch applications for smartphones, tablets, TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.


Solomon Systech (International) Limited 及其附屬公司為一家具領導地位的半導體公司，專門設計、開發及銷售專有集成電路晶片產品及系統解決方案，能於智能手機、平板電腦、電視／顯示器、筆記本電腦以及其他智能產品，包括可穿戴產品、醫療保健產品、智能家居產品，以及工業用設備等提供廣泛的顯示及觸控應用。

VISION

願景

Provide the ultimate silicon solution for every display system

為每個顯示系統提供最終的晶片解決方案



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FINANCIAL HIGHLIGHTS

財務摘要

| | | 2017 | 2016 |
|--------------------------|----------|---------------------|--------------|
| | | US\$ million | US\$ million |
| | | 百萬美元 | 百萬美元 |
| Sales | 銷售額 | 82.5 | 68.4 |
| Gross profit | 毛利 | 29.3 | 23.5 |
| Gross margin (%) | 毛利率(%) | 35.5 | 34.4 |
| Net loss | 虧損淨額 | (10.3) | (6.9) |
| Loss per share (US cent) | 每股虧損(美仙) | (0.41) | (0.28) |
| Book-to-bill ratio | 訂單出貨比率 | 1.1 | 1.0 |
| Total assets | 總資產 | 116.2 | 115.6 |
| Shareholders' funds | 股東權益 | 91.8 | 101.0 |



Sales increased by about 21% to US\$82.5 million
銷售額上升約21%至82.5百萬美元



Gross profit was US\$29.3 million, up by about 25% from last year
毛利為29.3百萬美元，比去年增加約25%



Gross margin was 35.5%, up 1.1 percentage points
毛利率上升1.1個百分點至35.5%



Net loss was US\$10.3 million
虧損淨額為10.3百萬美元



Loss per share was 0.41 US cent (about 3.20 HK cents)
每股虧損為0.41美仙(約3.20港仙)



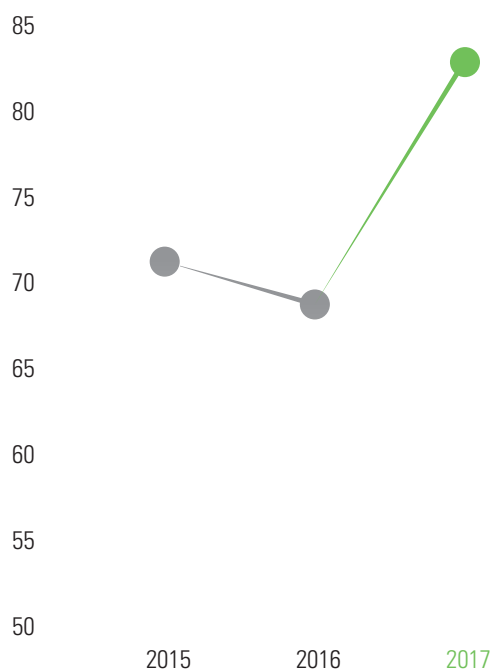
Book-to-bill ratio was 1.1
訂單出貨比率為1.1



The Board resolved not to propose any final dividend for the year ended 31 December 2017
董事會決議不建議宣派截至2017年12月31日止年度的末期股息

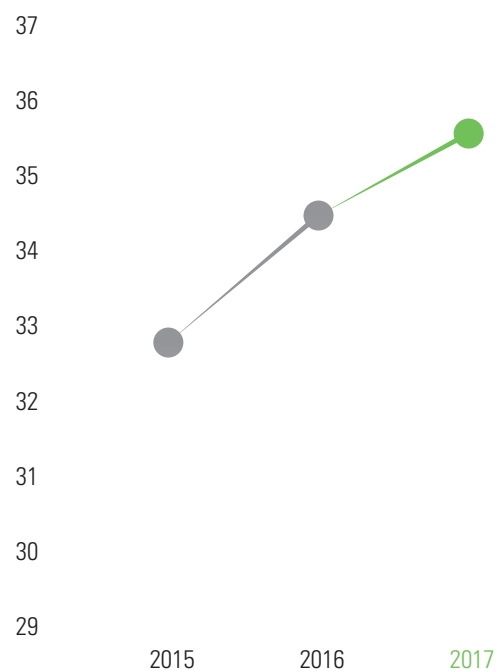
SALES (US\$ million)

銷售額(百萬美元)



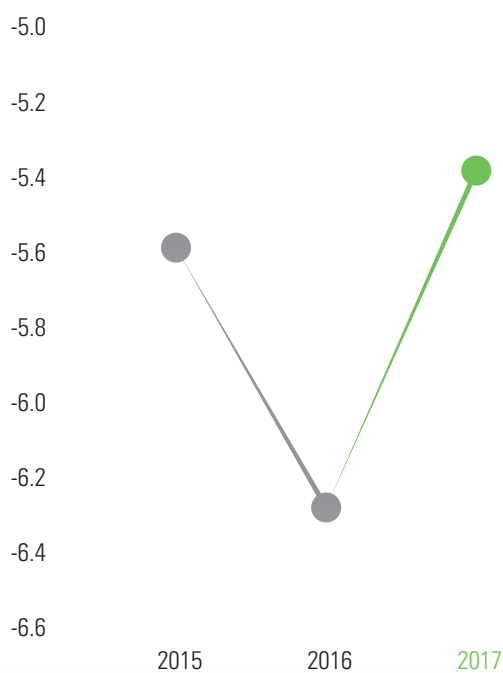
GROSS PROFIT MARGIN (%)

毛利率(%)



LBITDA (US\$ million)

稅息折舊及攤銷前虧損(百萬美元)



CHAIRMAN'S STATEMENT

主席報告

If 2016 was a year of change for Solomon Systech, 2017 was then a year of building and investing, leaving us better positioned for 2018 and beyond.

In 2017, the Group continued to build on the strategic measures to strengthen its technological capability and R&D talent pool, and also to drive new product development. These strategies have proven effective, as demonstrated by the growth in both total sales and shipments year-on-year by 21% and 15% respectively, and an array of new products already developed or in the pipeline.

Most importantly, the Group celebrated a significant milestone in 2017 – the establishment of Solomon Systech (China) Limited (or the Nanjing Technology Center) during November in Nanjing Jiangbei New District, the PRC.

Important Milestone for Future Business Expansion – Solomon Systech (China) Limited

To advance the Chinese semiconductor industry among the top rank of global players is one of the economic targets of the Chinese Government's "13th Five-Year" (2016-2020) Plan. As the IC industry is an integral part of the semiconductor industry, it is high time the Group enhanced its presence and visibility in China to better prepare to capture the strong growth opportunities ahead.

The Group received the commitment from the Nanjing Municipal Government in Mainland China in 2016 to help strengthen our R&D capability. After full consideration, in response to the key plan of the Nanjing Municipal Government and Nanjing Jiangbei New District to develop the IC industry, Solomon Systech (China) Limited was set up in Nanjing Jiangbei New District in 2017 as the Group's business and technology center in China. It is strategically located in order to strengthen relationships with major customers, including the panel manufacturers under CEC, and also to boost the Group's overall technology capability to foster innovation. This marks an important step forward in the Group's future business expansion plan.

Moreover, Solomon Systech (China) Limited would serve to attract more companies both upstream and downstream, and thereby build together a strong IC industry hub in Nanjing Jiangbei New District, the PRC. The Group strives to grow from strength to strength along with China's IC industry, and become a leading player in the global semiconductor arena.

如果2016年是晶門科技變革的一年，那麼2017年便是建設和投資的一年，讓我們在2018年及以後的發展更具優勢。

2017年，本集團繼續強化技術能力和研發人才庫的策略性舉措，並推動新產品開發。總銷售額和出貨量分別同比增長了21%和15%，更有一系列新產品已開發或正在開發中，證明了這些策略奏效。

最重要的是，本集團在2017年成功奠定了一個重要的里程碑—於11月在中國南京江北新區成立了晶門科技(中國)有限公司(或南京科技中心)。

未來業務擴展的重要里程碑 —晶門科技(中國)有限公司

讓中國半導體產業擠身全球領導者行列是中國政府的「十三五」(2016–2020年)計劃的經濟目標之一。由於集成電路行業是半導體行業的重要一環，本集團必須加強在中國市場的影響力和知名度，為抓住未來強勁增長機遇做好充分的準備。

本集團於2016年得到中國內地南京市政府承諾協助我們儘快加強研發實力。在充分考慮和響應南京市政府和南京江北新區發展集成電路產業的重點佈局後，晶門科技(中國)有限公司於2017年落戶南京江北新區，成為本集團在中國的業務及科技中心。此中心設於重要的戰略位置，以加強與重要客戶(包括CEC旗下的面板製造商)的關係，並提升本集團整體技術能力以促進創新。這標誌著本集團未來業務擴展計劃邁出了重要一步。

此外，晶門科技(中國)有限公司將吸引更多上下游企業，在中國南京江北新區建設一個強大的集成電路產業中心。本集團力爭與中國的集成電路產業一起茁壯成長，成為全球半導體領域的領軍企業。

Shareholder Value

While the total sales of the Group increased approximately 21% year-on-year to around US\$82.5 million, the Group recorded a net loss of US\$10.3 million given the considerable expenses incurred in relation to investment in strengthening the product and technology portfolio and building new technology centers. Nonetheless, the Group's net cash position together with other financial assets remained healthy at around US\$46 million and its net assets amounted to approximately US\$92 million as at 31 December 2017.

The Board has resolved not to propose any final dividend for the year ended 31 December 2017.

The Group will continue to regularly review our development plans and cash position to ensure the best capital structure with a good balance between the interests of shareholders and its business needs.

Prospects

Led by Chief Executive Officer ("CEO") Dr. Yeh Tsuei Chi, the Group now has clear strategies for growth mapped out, a strong and focused global team delivering on our business plans and strategically located business and technology centers, complemented by an exciting pipeline of new products already launched or under development. The year 2018 looks to be an exciting year with great potential for the Group.

On behalf of my fellow Board members, I wish to convey our sincere gratitude and appreciation to each and every one of our staff for their hard work and dedication throughout the year. I would also like to thank our shareholders, customers and business partners for their continued trust and support.

股東價值

雖然本集團的銷售總額按年增加約21%至約82.5百萬美元，由於有不少涉及投資於增強產品和技術組合以及建設新的科技中心的相關開支，本集團錄得淨虧損10.3百萬美元。儘管如此，於2017年12月31日的本集團的淨現金狀況連同其他金融資產仍維持穩健，約為46百萬美元，而資產淨值約為92百萬美元。

董事會決議不建議宣派截至2017年12月31止年度的末期股息。

本集團將繼續定期檢討發展計劃及現金狀況，以保持良好的資本架構，平衡股東利益與其業務發展需要。

前景

在行政總裁葉垂奇博士的領導下，本集團現已有了明確的發展策略、強大的全球團隊專注於實現我們的業務計劃、處於戰略位置的業務和科技中心，以及一系列已推出或在開發中的嶄新產品。2018年對於本集團而言似乎將是一個滿載機會、令人振奮的一年。

我謹代表董事會成員，向全體員工表示誠摯的謝意和讚賞，感謝每一位員工年內一直不懈努力和全心投入。我亦要感謝我們的股東、客戶和業務合作夥伴的持續信任和支持。



LI Rongxin 李榮信
Chairman 主席

Hong Kong, 13 March 2018
香港，2018年3月13日

CHIEF EXECUTIVE OFFICER'S MESSAGE

行政總裁的話

Building for Tomorrow

Tomorrow depends on what you do today. To build a better tomorrow we need to invest today.

The Group has embarked on a transformation journey starting in 2016. In 2016, The Group completed the organizational re-alignment, purchased a rich portfolio of mobile touch technology assets, semiconductor products and patent licenses, and also set up technology centers in the UK and Taiwan. These strategic measures have reinforced our organizational efficiency, and enhanced product portfolio and technological capabilities.

In 2017, the Group has continued to build on and invest in these areas which are integral for growth and business development in the long term.

The Group has built up the talent pool of the Taiwan Technology Center, and set up a technology center in Korea. In November 2017, a major strategic initiative was taken to establish Solomon Systech (China) Limited, or the Nanjing Technology Centre (NJTC) in Nanjing Jiangbei New District, the PRC.

The NJTC serves as both the Group's business and technology center in China. The establishment of the NJTC is testimony to the Group's determination to enhance its presence to further tap the burgeoning China market.

We have also been building a strong product portfolio and achieving product differentiation. An array of new, high performance products with extended application portfolio or enhanced features, covering TDDI, PMOLED display driver ICs, bistable display driver ICs, TFT LCD panel driver ICs, and MIPI bridge ICs, have been developed or were under development during the year.

建構明天

明天取決於今天的所為。要建構一個更美好的明天，我們需要在今天進行投資。

本集團自2016年起開啟了變革之旅。在2016年，本集團完成了架構重組，購入了豐富的移動觸控技術資產、半導體產品及專利許可組合，並在英國及台灣成立科技中心。這些策略性舉措提升了我們的組織效率，並增強了產品組合和技術能力。

2017年，本集團繼續加強並投資於這些對業務的長遠增長和發展不可或缺的範疇。

本集團建立了台灣科技中心的人才庫，並在韓國設立了科技中心。於2017年11月更落實了一項重要的戰略性舉措，於中國南京江北新區成立了晶門科技(中國)有限公司(即南京科技中心(NJTC))。

NJTC是本集團在中國的業務暨科技中心。NJTC的成立證明了本集團決心擴大於中國的覆蓋面以進一步進軍此迅速增長的市場。

我們亦一直在建立強大的產品組合，實現產品差異化。年內已開發或正在開發的一系列嶄新、高性能、具有擴展了的應用組合或更強功能的產品，包括TDDI、PMOLED顯示驅動器IC、雙穩態顯示驅動器IC、TFT LCD面板驅動器IC和MIPI橋接IC。

Moreover, in 2017 we have invested in building stronger rapport with current key customers and making inroads with new customers in order to strengthen our customer base to drive growth. We have managed to achieve design wins and design-in projects with international brands, which have not only contributed to boosting the revenue for the year under review, but most importantly, will be driving revenue growth in 2018 and beyond.

We have dedicated our efforts in building for a better tomorrow. While this has initially led to a significant increase in product R&D spending, these efforts have started to translate into a strong driving force for growth.

I would like to take this opportunity to thank our shareholders and other stakeholders for their ongoing support, as well as all of our employees for their unwavering dedication to working collaboratively to achieve our strategic goals.

Looking ahead, with our efforts in building for a better tomorrow starting to bear fruit, let us forge ahead along the strategic course we have set to drive our business to new heights of success.

此外，在2017年我們投入了資源與現有主要客戶建立更密切的關係，並積極進軍新客戶，以鞏固客戶基礎帶動增長。我們成功取得國際品牌的訂單和設計項目，不僅為回顧年度收入帶來了貢獻，更重要的是將推動2018年及以後的收入增長。

我們一直致力於建設更美好的明天。儘管開首時令產品研發支出大幅增加，但這些努力已開始轉化為強大的增長動力。

我想藉此機會感謝股東和其他持份者一直以來的支持，以及我們所有員工堅定不移、不懈努力，共同協作實現我們的戰略目標。

展望未來，我們投入於建設更好的明天的努力已開始取得成果，讓我們沿著戰略路線奮力邁進，把業務推向新高峰。



YEH Tsuei Chi
Chief Executive Officer

葉垂奇
行政總裁

Hong Kong, 13 March 2018
香港，2018年3月13日

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW

財務回顧

Overview

For the year ended 31 December 2017, the Group's total sales were US\$82.5 million (2016: US\$68.4 million). A net loss of US\$10.3 million (2016: US\$6.9 million) was recorded mainly due to a one-off write-off of obsolete inventories, and an increase in the Group's investment cost and related amortization expenses for the development of an array of new products.

Sales and Gross Profit

The Group recorded an increase in total shipments by around 15% year-on-year to approximately 215.2 million units (2016: 187.3 million units). The overall book-to-bill ratio of the Group for 2017 was 1.1 (2016: 1.0).

With the strong growth in the sales of the Group's TDDI and PMOLED display driver ICs in 2017, total sales increased by approximately 21% year-on-year to around US\$82.5 million (2016: US\$68.4 million).

Despite the intense price competition in the market, the gross margin increased by 1.1 percentage points to 35.5% (2016: 34.4%) attributable to a change in the product mix of the Group. The gross profit of the Group increased to US\$29.3 million (2016: US\$23.5 million).

Costs and Expenses

The Group has remained vigilant in controlling its expenses but as a technology company, it is committed to investing in product R&D and business development. The Group's total expenses, including product R&D costs, S&D expenses and administrative expenses, were US\$49.7 million (2016: US\$36.0 million), up by US\$13.7 million, representing an increase of 38% year-on-year.

The Group continued to invest in product R&D and business development and remained selective in its product R&D spending. To strengthen new technology development and new product introduction, and also enhance customer outreach activities, its product R&D costs in the year increased US\$13.4 million to US\$34.5 million (2016: US\$21.1 million), up 64% year-on-year. Product R&D costs to sales ratio was 41.8% (2016: 30.8%).

S&D expenses were US\$3.3 million (2016: US\$3.2 million) whilst the S&D expenses to sales ratio was 4.0% (2016: 4.6%).

概覽

截至2017年12月31日止年度，本集團總銷售額為82.5百萬美元(2016：68.4百萬美元)，錄得虧損淨額10.3百萬美元(2016：6.9百萬美元)，主要由於對陳舊存貨作了一次性的撇銷；及投放於開發一系列新產品的成本以及有關攤銷費用增加所致。

銷售額及毛利

本集團的總付運量上升約15%至約215.2百萬件(2016：187.3百萬件)，本集團的整體訂單出貨比率為1.1(2016：1.0)。

由於2017年本集團的TDDI和PMOLED顯示驅動器IC的銷售額增長強勁，總銷售額與去年同期相比增長約21%至82.5百萬美元(2016：68.4百萬美元)。

雖然市場價格競爭激烈，但受惠於產品組合變化，毛利率增加1.1個百分點至35.5%(2016：34.4%)。本集團毛利增加至29.3百萬美元(2016：23.5百萬美元)。

成本及開支

本集團繼續審慎控制開支，但作為一家科技公司，本集團致力投放資金於產品工程開發及業務發展。本集團的總開支，包括產品工程開發成本、銷售及分銷開支和行政開支，增加了13.7百萬美元至49.7百萬美元(2016：36.0百萬美元)，即按年上升38%。

本集團繼續投放資金於產品工程開發及業務發展，並在選擇產品工程開發重點時保持審慎。由於需要投資加強新技術開發和推出新產品，以及加強客戶推廣，其產品工程開發成本增加13.4百萬美元至34.5百萬美元(2016：21.1百萬美元)，按年上升64%。產品工程開發成本佔銷售額的41.8%(2016：30.8%)。

銷售及分銷開支為3.3百萬美元(2016：3.2百萬美元)，銷售及分銷開支與銷售額的比率則為4.0%(2016：4.6%)。

Administrative expenses were US\$11.9 million, increased by US\$0.2 million from US\$11.7 million in 2016.

Other Income – Net

Other income in 2017 totalled US\$6.1 million (2016: US\$1.5 million) comprising mainly government subsidies for the product R&D projects of the Group.

Finance Income – Net

The Group has invested in financial assets as part of its treasury management for interest and dividend income. During 2017, the Group recorded an interest income of US\$0.8 million (2016: US\$1.5 million) and a dividend income of US\$0.3 million (2016: US\$0.9 million). On top of these, US\$0.8 million (2016: US\$1.5 million) was gained from disposal of certain securities and funds, making altogether a total realized income of US\$1.9 million (2016: US\$3.9 million).

The Group's financial assets at fair value through profit or loss ("FVTPL Portfolio") are stated at fair value. The fair value of the FVTPL Portfolio traded in active markets is based on quoted market prices as at the reporting date. The FVTPL Portfolio as at balance sheet date based on the mark-to-market prices as at 31 December 2017 recorded a net unrealized gain of US\$2.0 million (2016: net unrealized loss US\$0.2 million).

As a result, the Group recorded a net finance income of US\$3.9 million (2016: US\$3.7 million) from treasury investment.

The Group has an internal treasury review team (the "Team") to execute treasury management policy, review the overall investment portfolio and monitor the performance on a regular basis to increase the yield of cash reserves. The Team conducts regular review teleconferences with individual external portfolio managers and holds internal review meetings to evaluate and monitor the investment performance. A majority of the FVTPL was under external professional portfolio management as at 31 December 2017.

To support strategic investment and expansion for product portfolio and business, the Group has disposed of approximately 40% of the investment in financial assets to meet the cash requirement during 2017.

With the FVTPL Portfolio maintained as of 31 December 2017 consists mainly of marketable bonds, mutual funds, exchange trade funds and listed equity securities held through reputable financial institutions including Citibank, Goldman Sachs, UBS and Hang Seng Bank, the Group expects a stable stream of income to be sustained. As at 31 March 2018, being the latest practicable date prior to the printing of the Annual Report, the carrying value of the FVTPL under current assets was maintained at the same position as that on the balance sheet date. More details of FVTPL of the Group are set out in note 23 to the consolidated financial statements.

行政開支為11.9百萬美元，對比2016年11.7百萬美元增加0.2百萬美元。

其他收入—淨額

2017年其他收入合共6.1百萬美元(2016：1.5百萬美元)，主要為政府對本集團產品工程開發的資助。

投資收入—淨額

本集團投資於財務資產作資金管理以獲取利息及股息收入。於2017年內，本集團錄得利息收入0.8百萬美元(2016：1.5百萬美元)及股息收入0.3百萬美元(2016：0.9百萬美元)。另外，出售部分股票及基金取得收益0.8百萬美元(2016：1.5百萬美元)，合共得已變現之總收入1.9百萬美元(2016：3.9百萬美元)。

本集團之通過損益反映公平價值的財務資產(「FVTPL投資組合」)按公平值列賬。FVTPL投資組合於活躍市場交易的財務資產之公平值乃基於結算日的市場報價。於結算日之FVTPL投資組合按2017年12月31日市價作基準估值錄得未變現淨額收益為2.0百萬美元(2016：未變現淨額虧損0.2百萬美元)。

整體結果，本集團於財政庫務投資錄得投資淨收入3.9百萬美元(2016：3.7百萬美元)。

本集團設有內部庫務審閱小組(「小組」)，負責執行庫務管理政策、審閱整體投資組合及定期監察投資表現以提升現金儲備的回報率。該小組定期與外聘之投資組合管理經理進行電話會議及舉行內部審閱會議以檢討及監察投資表現。於2017年12月31日，大部份的FVTPL乃由外聘專業投資組合管理。

2017年內，為支援策略性投資及擴展產品組合和業務，本集團已出售約40%之財務資產投資以滿足現金需求。

2017年12月31日通過包括花旗銀行、高盛、瑞銀和恆生銀行等知名金融機構持有之FVTPL投資組合包含可供買賣債券、共同基金、外匯交易基金和上市股本證券，本集團預期可以賺取穩定收入。於2018年3月31日(即年度報告印刷之前的最後實際可行日期)，FVTPL於流動資產項下的賬面值維持與資產負債表日相同水平。有關本集團之FVTPL的更多詳情可參閱綜合財報表附註23。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

管理層討論及分析(續)

FINANCIAL REVIEW (continued)

財務回顧(續)

Net Profit and Loss

For the year ended 31 December 2017, the pre-tax loss was US\$10.3 million (2016: US\$7.4 million). The loss attributable to the equity holders of the Company was US\$10.2 million (2016: US\$6.9 million), mainly because of the increase in R&D expenses and inventory written off.

The salaries of the two Executive Directors were reduced by 10–15% on a temporary basis to be held responsible for the worsened operating results in 2017.

Liquidity and Financial Resources

As at 31 December 2017, total cash and cash equivalents and bank deposits of the Group amounted to US\$23 million (2016: US\$25 million). Net cash used in operating activities during the year was US\$10.3 million (2016: US\$13.2 million). The cash outflow in operating activities was mainly due to the loss before income tax of US\$10.3 million and the increase in working capital requirement, which, comprising net of receivables, inventories and payables, amounted to US\$1.2 million.

Regarding the use of cash reserves, the Group will continue to allocate funds for product development, securing production capacity, strengthening its infrastructure in China and Taiwan to broaden its customer base and capture market and sales opportunities and entering into strategic corporate ventures and meeting general corporate operational purposes. As at 31 December 2017, the Group had no major borrowing other than the US\$0.1 million in a mortgage loan for the office property in Hsinchu, Taiwan, and the non-current bank loan US\$0.2 million in the newly acquired Korean subsidiary. The Group is in net cash position and therefore with no significant financial gearing and the cash balance was mainly invested in various deposits in banks.

Most of the Group's trade receivables and payables are quoted in US dollars. The Group closely monitors the movement of foreign exchange rates and constantly seeks to obtain favorable exchange rates for conversion of US dollars into other currencies for paying local operating expenses. During the year under review, the Group did not use any derivative instruments to hedge against foreign currency exposure in operation as the Directors considered this exposure to be insignificant.

盈虧淨額

截至2017年12月31日止年度之除稅前虧損為10.3百萬美元(2016: 7.4百萬美元)。本公司權益持有人截至2017年12月31日止年度應佔虧損為10.2百萬美元(2016: 6.9百萬美元)，主要由於研發費用增加和庫存撇銷所致。

為了對2017經營業績惡化負責，兩位執行董事的薪酬暫時性減少10–15%。

流動資金及財務資源

於2017年12月31日，本集團的現金及現金等價物和銀行存款總計為23百萬美元(2016: 25百萬美元)。年內經營活動使用的現金淨額為10.3百萬美元(2016: 13.2百萬美元)，經營活動現金流出主要由於除稅前虧損10.3百萬美元及營運資金需求(包括應收款、存貨及應付款之淨額)增加了1.2百萬美元。

有關現金儲備的使用，本集團將繼續主要分配資源於產品開發、提升生產力、加強於中國及台灣的基建以擴闊客戶基礎及把握市場及銷售商機、進行若干策略性企業投資、及配合一般公司營運用途。於2017年12月31日，除了0.1百萬美元作為位於台灣新竹之辦公室物業按揭貸款，及新收購的韓國子公司的非流動銀行貸款0.2百萬美元外，本集團並無任何主要借貸。本集團處於淨現金狀態，因此並無重大財務槓桿，而現金餘額主要投資於各類銀行存款。

本集團的主要應收及應付款均以美元結算。本集團會密切監察外幣兌換率的變動，以確保能夠以有利的兌換率將美元兌換成其他貨幣，支付當地的營運開支。於回顧期內，由於董事認為本集團的外匯風險不高，因此本集團並無運用任何衍生工具以對沖其營運方面的外匯風險。

MANAGEMENT DISCUSSION AND ANALYSIS

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Capital Expenditure and Contingent Liabilities

In 2017, capital expenditure of the Group was US\$5.5 million (2016: US\$17.5 million).

As at 31 December 2017, capital expenditure contracted for but not yet incurred was approximately US\$0.3 million (2016: US\$0.3 million).

Aside from the aforesaid, the Group had no other material capital commitment or contingent liability.

Business Review

The Group recorded an increase in total revenue in 2017 of around 21% year-on-year to approximately US\$82.5 million, while total shipments were up by around 15% year-on-year to around 215.2 million units. The increase in both sales and shipments was concrete proof that the strategic initiatives implemented since 2016 have started to bear fruit.

In 2017, the Group has continued to invest in enhancing technological capability and bolstering product innovation. Subsequent to setting up the Korea Technology Center and further strengthening the Taiwan Technology Center at the beginning of the year, the Group has established Solomon Systech (China) Limited (or Nanjing Technology Center (NJTC)) in Nanjing Jiangbei New District in November. The NJTC plays the strategically important role as the Group's business center in China to drive business development in this key market, apart from enhancing relationships with key customers and business partners and reinforcing technological capabilities.

In addition to this important milestone, the Group has launched a total of 13 new products, and also garnered design-in projects and major design-wins with international brands that are expected to start mass production in 2018 and contribute to the revenue and operating profit.

The Group's sales by business unit during the period under review were as follows:

| Sales (US\$ million) | 銷售額(百萬美元) | 2017 | 2016 | Change 變動 |
|----------------------|-----------|------|------|--------------|
| Main Display | 主流顯示 | 41.3 | 31.6 | 31% |
| Advanced Display | 先進顯示 | 41.2 | 36.8 | 12% |
| Total | 總額 | 82.5 | 68.4 | 21% |

資本開支及或然負債

於2017年，本集團的資本開支為5.5百萬美元(2016：17.5百萬美元)。

於2017年12月31日，本集團已商定合約但未動用之資本開支約為0.3百萬美元(2016：0.3百萬美元)。

除前述之外，本集團概無其他重大資本承擔或或然負債。

業務回顧

本集團2017年的總銷售額按年增長約21%至約82.5百萬美元；而總付運量按年上升約15%至約215.2百萬件。銷售額與付運量的增長證明了自2016年開始實施的策略性舉措開始取得成效。

於2017年，本集團繼續投資以提升技術能力，推動產品創新。繼在年初成立了韓國科技中心及進一步壯大台灣科技中心後，本集團於11月在南京江北新區成立了晶門科技(中國)有限公司(或南京科技中心)。南京科技中心除了促進與重點客戶和業務合作夥伴的關係，及提高技術能力以外，更擔當著集團在中國的業務中心的重要戰略角色，推動這個關鍵市場的業務發展。

除了這個重要的里程碑之外，本集團共推出13項新產品，並贏得了國際知名品牌的設計項目和重要訂單，預計於2018年開始量產，為收益和營業利潤作出貢獻。

回顧期內按本集團業務單元劃分的銷售額如下：

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

管理層討論及分析(續)

BUSINESS REVIEW & OUTLOOK (continued)

業務回顧及展望(續)

Main Display

The Main Display Business Unit (“MDBU”) provides In-Cell TDDI ICs, In-Cell, On-Cell and Out-Cell touch controller ICs, TFT LCD display driver ICs and MIPI bridge ICs targeting smart mobile devices; as well as TFT LCD display driver ICs for large-display products, including TVs, monitors, notebooks, tablet PCs, etc.

During the year under review, the total sales of MDBU surged by about 31% year-on-year to approximately US\$41.3 million (2016: US\$31.6 million). This was mainly attributable to the contributions of In-Cell TDDI ICs and touch controller ICs. The large display driver IC business has also achieved a major year-on-year revenue increase.

The market leading touch controller ICs managed to score design wins for applications including smartphones, smart watches, tablets and video game console controllers of key international brands, and have also been designed-in a number of products planned to start mass production in 2018.

The Group’s In-Cell TDDI IC for FWVGA display has continued to contribute to revenue growth, while that supporting narrow bezel Full High-definition (FHD+) (1080 x 2160) display has been designed-in smartphones by some independent design houses. During 2017, MDBU has developed a breakthrough TDDI supporting FHD+ (1080 x 2160) In-Cell LTPS panels, aiming to capture the new market trend of high resolution smartphones with a bezel-less screen and a higher aspect ratio.

The MDBU has also started the development of a number of new products during the year, including an AMOLED display driver IC, and also new TDDIs supporting FHD+ LTPS panels and HD+ IGZO/a-Si panels respectively.

The Group’s Embedded DisplayPort (eDP)-to-MIPI bridge IC has garnered design wins including a leading international notebook brand, while its MIPI bridge IC targeting test jig applications has continued to contribute to the sales revenue.

主流顯示

主流顯示業務單元(「MDBU」)提供針對智能移動裝置的In-Cell TDDI IC、In-Cell、On-Cell和Out-Cell觸摸屏控制器IC、TFT LCD顯示驅動器IC和MIPI橋接IC，以及用於包括電視、顯示器、筆記本電腦、平板電腦等大型顯示產品的TFT LCD顯示驅動器IC等。

在回顧期內，MDBU的總銷售額飆升約31%至約41.3百萬美元(2016：31.6百萬美元)。這主要有賴In-Cell TDDI IC及觸摸屏控制器IC的貢獻。大型顯示驅動器IC業務的銷售額亦按年大幅增長。

市場領先的觸摸屏控制器IC獲得了主要國際品牌的智能手機、智能手錶、平板電腦和視頻遊戲機控制器等應用的訂單，以及一些計劃於2018年開始批量生產產品的設計項目。

本集團用於FWVGA顯示的In-Cell TDDI IC繼續為銷售額增長作出貢獻，而支持窄邊框全高清(FHD+) (1080 x 2160)顯示的In-Cell TDDI IC亦取得了一些獨立設計公司的智能手機設計項目。在2017年內，MDBU開發了支持FHD+ (1080 x 2160) In-Cell LTPS面板的突破性TDDI，旨在捕捉高分辨率、無邊框和較高長寬比的智能手機的新市場趨勢。

MDBU在年內也開始了一些新產品的開發，包括AMOLED顯示驅動器IC，以及支持FHD+ LTPS面板和HD+ IGZO/a-Si面板的新型TDDI。

本集團的嵌入式DisplayPort (eDP)至MIPI橋接IC已獲得包括國際領先的筆記本電腦品牌在內的訂單，而以測試裝置應用為目標的MIPI橋接IC持續為銷售收入作出貢獻。

With regard to large display driver ICs, the sales in 2017 have achieved double-digit growth year-on-year. The Group has successfully designed-in projects for TVs of different resolutions from HD to UHD and various sizes from 38.5" to 64.5", and has also passed the screening and testing requirements and has been enlisted as a qualified supplier of a new customer.

Advanced Display

The Advanced Display Business Unit ("ADBU") includes PMOLED display and OLED lighting products, as well as bistable products. In addition to standard ICs, the ADBU also provides custom IC design services, including analog, mixed-signal and high-voltage IC designs to cater for the specific needs of customers.

The sales of ADBU products in 2017 maintained growth momentum with an increase of about 12% year-on-year to approximately US\$41.2 million (2016: US\$36.8 million).

As the world's market leader of PMOLED display driver ICs, the Group has continued to score design wins with international brands leveraging fast-growing applications, including wearables, smart home appliances, 4K set-top boxes, healthcare devices, etc. Its newly launched product supporting high resolution color display for wristbands has started mass production in the second half of 2017.

Capitalizing on the trend of unmanned stores and increasing automation of supermarkets and stores, in particular in China, the Group has managed to further grow its bistable display IC business for ESL applications. The Group has also further extended its application portfolio to keyboards, scoreboards, tags for logistics asset management, etc.

至於大型顯示驅動器IC方面，2017年的銷售額實現了兩位數的按年增長。本集團成功取得了由高清至超高清不同分辨率，及由38.5"至64.5"不同尺寸電視的設計項目。並通過了篩選和測試要求，成為新客戶的合格供應商。

先進顯示

先進顯示業務單元(「ADBU」)包括PMOLED顯示和OLED照明產品，以及雙穩態產品。ADBU除了提供標準IC外，亦提供定制IC設計服務，包括模擬、混合訊號及高壓IC設計，以滿足客戶的特定需要。

於2017年，ADBU產品的銷售額維持增長勢頭，按年上升了約12%至約41.2百萬美元(2016：36.8百萬美元)。

作為全球PMOLED顯示驅動IC的市場領導者，本集團藉著包括可穿戴裝置、智能家電、4K機頂盒、醫療保健設備等應用的快速增長，繼續贏得國際品牌的訂單。其新推出支持手環的高分辨率彩色顯示器的產品已於2017年下半年開始批量生產。

本集團憑藉特別是在中國的無人化店舖的趨勢，以及超級市場及店舖自動化水平的提升，成功進一步發展其應用於電子貨架標籤的雙穩態顯示IC業務。本集團亦進一步將應用組合延伸至鍵盤、計分板、物流資產管理標籤等。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

管理層討論及分析(續)

BUSINESS REVIEW & OUTLOOK (continued)

業務回顧及展望(續)

Outlook

The start of 2018 shows signs of growing market confidence. The key application markets of the Group's products, including wearables, ESLs and smart handheld devices in particular, are expected to exhibit strong growth momentum.

With the array of new products launched and in the pipeline, the design-wins and design-in projects expected to boost revenue growth, and most importantly, the establishment of the strategic China business and technology center in Nanjing, together with the greatly strengthened R&D talent pool, the Group is now favorably positioned to boost business growth.

Main Display

The key growth drivers of the MDBU in 2018 are expected to be touch controller ICs, TDDI IC and also large display driver ICs.

The Group's touch controller ICs, having won a number of key design-wins and design-in projects in 2017, are scheduled to commence mass production in 2018 and will contribute to revenue generation. The Group will also strive to achieve more design-wins in particular for its AMOLED touch controller ICs to capture the opportunities from the rapid surge in production capacity in China. Moreover, the Group will leverage its strengthened R&D team to facilitate new product development to better capture the market trend. A new touch controller IC supporting foldable AMOLED panels and new TDDI ICs for FHD+ and HD+ "infinity screens" reaching an aspect ratio of 21:9 are expected to be launched in 2018.

The Group will further enhance its efforts in reaching out to key and potential customers, in particular targeting independent design houses for top brand smartphones, in order to boost the business growth of its new TDDI solutions.

The establishment of the NJTC is expected to enhance both the Group's collaboration with its current customer, Panda-FPD, as well as efforts in reaching out to new customers. The Group strives to increase its share in the current customer's business and also achieving design wins with potential customers in the PRC.

展望

2018年初始，市場信心增強。預計本集團產品(尤其是可穿戴裝置、電子貨架標籤及智能手提裝置)的主要應用市場將呈現強勁增長勢頭。

隨著有一系列的新產品已推出及將會推出，贏得的訂單和設計項目預計會推動收入增長，而最重要的是在南京建立了戰略性的中國業務及科技中心，加上研發人才庫的強化，本集團正具備有利條件以促進業務增長。

主流顯示

預計2018年MDBU的主要增長動力是觸摸屏控制器IC、TDDI IC以及大型顯示驅動器IC。

本集團的觸摸屏控制器IC在2017年贏得了多項關鍵訂單和設計項目，預計於2018年開始批量生產，為收益作出貢獻。本集團亦將致力取得更多訂單，特別是其AMOLED觸控屏控制器IC，以捕捉中國急速上升的產能所帶來的機遇。此外，本集團將利用其更強大的研發團隊促進新產品的開發，有利抓住市場趨勢。支持可折疊AMOLED面板的新型觸摸屏控制器IC，以及支持寬高比達21:9的FHD+和HD+「無限屏幕」的嶄新TDDI IC，預計將於2018年推出。

本集團將進一步加大力度，向主要和潛在客戶推廣，特別是針對知名品牌智能手機的獨立設計廠商，以推動其新TDDI解決方案的業務增長。

預計南京科技中心的成立，將加強集團與現有客戶熊貓平板顯示的合作，並有助尋求新客戶。本集團將致力增加在現有客戶業務的份額，並爭取在中國的潛在客戶中贏得訂單。

Advanced Display

The growing wearables market is expected to underpin the business growth of the Group's PMOLED display driver ICs. The Group is ready to capture the shift of the display trend from monochrome to color for wristbands. More new products targeting color wristband displays are to be launched. The Group continues working with top international wristband brands on design-in projects for the next generation wristbands, while making inroads into other applications with strong growth potential, in particular smart handheld devices and smart home appliances, with a view to further extending the revenue stream. The Group is also developing other new products, including TDDI for PMOLED panels, to further enhance consumer experience through improved display quality, narrow bezel and thinner form-factor design.

In terms of bistable display driver ICs, the Group targets to achieve more design wins for its ESL business, in view of the growing adoption of ESL, and the surging trend of supermarket and store automation. The Group also aims to further develop the new display application markets.

Product Development

In 2017, the Group has set up new technology centers in Korea, Taiwan and Nanjing to enhance its R&D capability, in addition to developing new products and enhancing the features of existing products. In 2017, the Group spent roughly US\$34.5 million on R&D, representing about 69.4% of total expenses and 41.8% of sales for the year.

The Group's product R&D engineering teams possess domain expertise in various areas, spanning from design of high-speed serial master bridges, TDDIs, In-Cell and On-Cell touch controller ICs and OLED lighting driver ICs, to display drivers for various panel technologies such as amorphous silicon TFT, metal-oxide TFT, LTPS, POLED, AMOLED, PMOLED and AMEPD. This wide array of critical knowhow enables fast fulfillment of customers' increasingly sophisticated requirements.

IP Development

The IPs that have been developed or were under development during 2017 included, among others, a smart power reduction technology, a power and time reduction scheme, and also an In-Cell touch sensing frontend technology for PMOLED display, a lossless image data compression scheme for ePaper, a panel diagnostic technology for ESLs, and a high speed serial interface for large display.

During the year, the Group has been granted 16 patents and filed 29 patents covering various display design and application areas. The Group has been encouraging patent application and filing, with a view to further strengthening its intellectual property portfolio to facilitate business growth in the future.

先進顯示

不斷增長的可穿戴裝置市場預計將推動集團PMOLED顯示驅動器IC的業務增長。本集團已準備就緒，抓住手環顯示從單色轉為彩色的趨勢。更多針對彩色手環顯示的新產品將會推出。本集團將繼續與國際知名手環品牌攜手共同研發下一代手環的設計項目，同時進軍具有強勁增長潛力的其他應用，特別是智能手提裝置及智能家電，以進一步擴大收益來源。本集團亦將繼續開發其他新產品，包括用於PMOLED面板的TDDI，改善顯示質素，實現窄邊框及更薄的外形設計，以進一步提升消費者體驗。

在雙穩態顯示驅動IC方面，鑑於電子貨架標籤日益普及，加上超市和商店自動化的趨勢，本集團的目標是為電子貨架標籤業務取得更多的訂單。本集團亦將致力進一步發展新型顯示應用市場。

產品開發

於2017年，本集團除了開發新產品及提升現有產品的功能外，更於韓國、台灣及南京設立新的科技中心以提升研發能力。在2017年，本集團於研發方面支出約為34.5百萬美元，約佔年度總開支的69.4%及銷售額的41.8%。

本集團的產品研發團隊具備多個範疇的專業知識，包括高速串列主橋、TDDI、In-Cell和On-Cell觸摸屏控制器IC以及OLED照明驅動器IC的設計，以至各種面板技術，如非晶矽TFT、金屬氧化物TFT、LTPS、POLED、AMOLED、PMOLED和AMEPD所需的顯示驅動器。此等範圍廣泛的重要專業知識使我們能快速地滿足客戶日益複雜的要求。

知識產權開發

2017年已開發或開發中的知識產權，其中包括智能省電技術，功率和時間縮減方案，以及用於PMOLED顯示器的內嵌式觸摸感應前端技術，用於電子紙的無損圖像數據壓縮方案，用於電子貨架標籤的面板診斷技術，以及用於大型顯示器的高速串行接口。

年內，本集團取得十六項專利，並已遞交二十九項專利申請，涉及各種顯示器設計和應用領域。本集團亦增加了資源，支援專利申請及提交，藉以進一步加強其知識產權組合，促進未來的業務增長。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

管理層討論及分析(續)

BUSINESS REVIEW & OUTLOOK (continued)

業務回顧及展望(續)

Employees

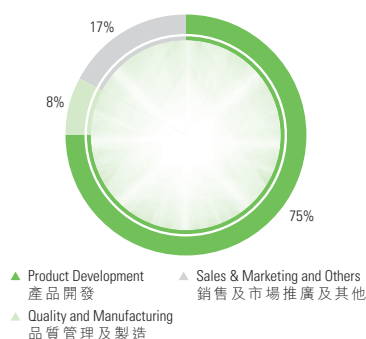
As of 31 December 2017, the Group had a total workforce of 492 employees, including its manufacturing subsidiary in China. In terms of workforce composition, we have continued to increase the headcount for product development to be in line with our strategy of focusing on product innovation. Of the total workforce, around 40% were based in the Hong Kong head office with the rest located in China, Japan, Korea, Taiwan and the UK.

員工

於2017年12月31日，本集團共有492名員工，包括位於中國負責生產的附屬公司的員工。就員工組合而言，我們為配合專注於產品創新的策略，持續增加了產品開發的員工數目。整體員工中約40%駐香港總辦事處，其餘員工分別駐中國、日本、韓國、台灣及英國。

FUNCTION

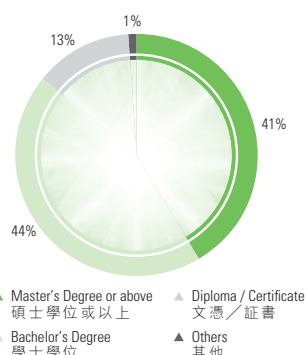
職能



- 358 technical engineering staff
358名技術工程師
- 430 staff worldwide as at 31 December 2017
於2017年12月31日，全球聘有共430名員工

EDUCATION

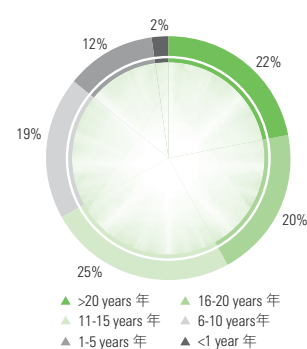
教育程度



- 41% Master's Degree or above
41%持碩士或以上學位
- 85% Bachelor's Degree or above
85%持學士或以上學位

EXPERIENCE

經驗



- Employees with an average of over 15 years of working experience
員工平均擁有超過15年工作經驗

Note: Data in the above charts excludes the manufacturing subsidiary
附註：圖表中所有數據不包括負責生產之附屬公司

About 85% of the Group's employees hold a bachelor's degree or above, and around 41% have earned a master's degree or higher academic qualifications. The Group's emphasis on R&D is also reflected in the composition of our workforce, as 75% are engineers who specialize in product design and development. The entire team has, on average, above 15 years of working experience.

本集團約85%員工擁有學士學位或以上學歷，約41%持碩士學位或以上學歷。本集團著重工程開發的文化亦反映於員工組合之中，75%的員工為專注產品設計及開發的工程師。整體員工平均擁有超過15年工作經驗。

Training & Development

At Solomon Systech, we strive to cultivate a culture of “Continuous Learning”, and to inspire, engage and develop our staff so they can achieve excellence. In 2017, the Group dedicated a total of over 2,000¹ man-hours to training and development, covering industrial and technical training, and others including corporate governance, project management, internal controls, etc. Apart from in-house training, the Group has also encouraged employees to take external job-related courses and sponsors a portion of the tuition.

Employee's Well-being

We invest in the health, safety and wellness of our employees because we care about their well-being. Apart from providing a safe working environment and health insurance covering medical, disability, accidental and life benefits to eligible employees, in 2017, the Group has organized a range of activities for our employees to help them strike a healthy work-life balance and also promote team building. Apart from corporate events including the anniversary dinner and annual lunch, the Group also arranged sports gatherings and leisure activities inviting our employees to participate together with their family members.

Remuneration and Awards

The Group believes in motivating, retaining and rewarding employees and attracting new talent with the right incentives, in order to facilitate the alignment of their interests with its own. The total remuneration of the Group's employees in 2017 amounted to around US\$32 million (2016: US\$23 million). In 2017, selected employees/individuals have been granted share options in appreciation of their past performance and contributions, and as an incentive for continuing their contributions. In addition to the NPI first order awards, the Group also offers cash reward schemes including NPI Incentive Program aiming to reward development teams for their success in introducing new products to the market that excel in time-to-market and revenue contribution, and ES1 MP Award for new products which garner design wins for mass production with the first sample ready. Patent Awards are in place to encourage and reward technological innovation. The Group also offers long service awards to reward employees of long standing.

Corporate Social Responsibility

The Group has a strong sense of commitment to fulfilling its corporate social responsibility (“CSR”) and ensure that it becomes part of the everyday operations of the Group. With reference to the Stock Exchange's Environmental, Social and Governance (“ESG”) Reporting Guide, the Group's ESG working committee has monitored the Group's performance in the areas of employees, the marketplace, the environment and the community during 2017 for preparation of an ESG Report. The Group's ESG Report for 2017 will be published on the Company's website at www.solomon-systech.com.

培訓及發展

本集團建立了「持續進修」的文化，並啟發、鼓勵和加強員工的發展，讓他們達致卓越。於2017年，本集團投入共超過2,000¹小時於培訓及發展，涵蓋行業及技術培訓，以及其他包括企業管治、項目管理、內部監控等多個範疇。除內部培訓外，本集團亦鼓勵員工報讀職外與職業相關的課程，並資助部分學費。

員工福祉

我們十分關注員工的福祉，因此投入資源於員工的健康、安全及福利。除提供安全的工作環境及涵蓋醫療、傷殘、意外及人壽保障的健康保險外，為幫助我們的員工達至健康的工作和生活平衡以及促進團隊精神，於2017年，除企業項目包括週年晚宴及年度午餐外，本集團亦亦安排了體育活動及康樂活動，邀請我們的員工及他們的家人參與。

酬金及獎勵

本集團相信，適當的獎勵計劃可以獎勵、挽留及鼓勵員工，並吸納新的人才，更令員工的利益及本集團的利益連成一線。本集團員工於2017年的總酬金為約32百萬美元(2016：23百萬美元)。於2017年，個別員工／人士獲授購股權，以表揚他們的傑出表現及鼓勵他們繼續為本集團作出貢獻。除了「首張訂單獎」外，本集團亦設有嘉許成功將新產品適時推出市場並帶來收益的開發小組的「NPI獎勵計劃」，及於新產品首個樣本便成功取得訂單達致批量生產的「ES1 MP獎勵計劃」的現金獎勵計劃。本集團亦頒發「專利權獎」以鼓勵及獎賞員工創新科技，以及頒發長期服務獎以嘉許持續服務多年的員工。

企業社會責任

本集團一直致力履行企業社會責任(「CSR」)，並確保其成為日常營運的一部分。經參考聯交所的《環境、社會及管治(「ESG」)報告指引》，本集團的ESG工作委員會監察著本集團於2017年在員工、市場、環境及社區等範疇的表現以準備ESG報告。本集團2017年的ESG報告將於本公司網站www.solomon-systech.com公佈。

1. Data excludes the manufacturing subsidiary
1. 數據不包括負責生產之附屬公司

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

董事會及高級管理層

Chairman

Mr. LI Rongxin, aged 47

- Non-executive Director
- Appointed to the Board: 2014
- Chairman of the Board: since June 2016
- Member of the Nomination Committee and Investment Committee

Skills and experience:

- Received a bachelor's degree in electrical engineering from Fudan University, and an EMBA degree from Thunderbird School of Global Management
- Named "Shanghai's Top 10 IT Youth Elites" in 2011
- Well experienced in the technology field. Has worked in the US and South East Asia

Current appointments include:

- Chairman of Shanghai Anlogic Infotech Ltd.
- Deputy general manager of Huada
- Director of Shanghai Belling Co., Ltd. ("Belling") (SSE:600171)
- Director of Montage Technology Group Limited (NASDAQ: MONT), a company which was delisted in November 2014 upon the acquisition by a joint venture company of CEC

Former appointments include:

- General manager and later the director of Shanghai Huahong Integrated Circuit Co. Ltd
- Worked in Intel (China) Co. Ltd from 1996 to 2006 and also Belling on new product development

Executive Directors

Dr. YEH Tsuei Chi, aged 63

- CEO: since January 2016
- Executive Director: since March 2016
- Chairman of the Investment Committee
- Authorized Representative of the Company pursuant to Rule 3.05 of the Listing Rules
- Director of a number of subsidiaries of the Group

Saved as disclosed in this Annual Report, Dr. Yeh did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

主席

李榮信先生，47歲

- 非執行董事
- 獲委任為董事：2014
- 董事會主席：自2016年6月起
- 提名委員會及投資委員會委員

才能及經驗：

- 於復旦大學取得電子工程系學士學位，並獲Thunderbird School of Global Management工商管理行政碩士學位
- 2011年獲選「上海IT青年十大新銳」
- 在科技領域具豐富經驗，曾於美國及東南亞工作

現任職位包括：

- 上海安路信息科技有限公司主席
- 華大副總經理
- 上海貝嶺股份有限公司(「貝嶺」)(上海證券股份代碼：600171)董事
- Montage Technology Group Limited(原美國納斯達克股份代號：MONT)董事。該公司於2014年11月被CEC的合資企業收購後註銷上市

曾任職位包括：

- 上海華虹集成電路有限責任公司總經理以及董事
- 於1996至2006年期間任職英特爾(中國)有限公司及服務貝嶺負責新產品開發

執行董事

葉垂奇博士，63歲

- 行政總裁：自2016年1月起
- 執行董事：自2016年3月起
- 投資委員會主席
- 依據上市規則第3.05條本公司所委任之授權代表
- 本集團多家附屬公司的董事

除本年報所披露外，葉博士於過往三年並無在於聯交所或海外上市的公司中擔任任何董事職務。

Skills and experience:

- Received a diploma in Chemical Engineering from Taipei Institute of Technology
- Received a master of science degree in engineering science and a PhD degree in engineering science from the University of Mississippi, USA
- With over 30 years' experience in the semiconductor and electronics industry

Former appointments include:

- Adjunct Professor, Electronics Engineering Department of the National Tsing Hua University in Taiwan
- President of Availink, Inc.
- President of Home Entertainment Business Unit, Sunplus Technology Co. Ltd. (TWSE: 2401, LSE: SUPD)
- Others: various senior management positions with startup and mature companies, including Faraday Technology Corporation, Winbond Electronics Corporation, Cheertek, Inc., etc

Mr. LO Wai Ming, aged 55

- Executive Director
- Appointed to the Board: 2016
- Member of the Investment Committee

Other than the Company, Mr. Lo did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

Skills and experience:

- Member of the Hong Kong Institute of Engineers
- Holds a master of science degree in electronic engineering from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University), and a master of science degree in energy and environmental sustainability from The Open University of Hong Kong
- With over 30 years of working experience in the electronics industry in managing global business operations including product engineering, product applications, business and market development

Current appointments include:

- Corporate Vice President ("VP") and Head of Main Display Business Unit
- Director of Kitronix Limited and Beijing LED Energy Management Technology Co. Ltd., the associated companies of the Group; and director of a number of subsidiaries of the Group

才能及經驗：

- 畢業於台北工業專科學校，獲頒化學工程證書
- 獲美國密西西比大學頒發工程科學碩士學位及工程科學博士學位
- 在半導體及電子行業擁有超過30年豐富的經驗

曾任職位包括：

- 台灣國立清華大學電機工程系任兼任教授
- 台灣台聯科技股份有限公司總裁
- 凌陽科技股份有限公司(台灣證券股份代碼：2401、倫敦證券股票代號：SUPD)家庭平台事業群總經理
- 其他：於多家新創及已發展公司擔任高級管理層職位，包括智原科技股份有限公司、華邦電子股份有限公司及其樂達科技股份有限公司等

盧偉明先生，55歲

- 執行董事
- 獲委任為董事：2016
- 投資委員會委員

除本公司外，盧先生於過往三年並無在於聯交所或海外上市的公司中擔任任何董事職務

才能及經驗：

- 香港工程師學會會員
- 於香港理工學院(現為香港理工大學)取得電子工程碩士學位；並於香港公開大學取得科學能源和環境可持續發展碩士學位
- 在電子行業擁有超過30年管理全球業務營運的經驗，包括產品工程、產品應用、業務及市場開發

現任職位包括：

- 集團副總裁及主流顯示事業中心主管
- 本集團聯營公司奇創力有限公司及北京愛爾益地節能科技有限責任公司的董事；以及本集團多家附屬公司的董事

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (continued)

董事會及高級管理層(續)

Former appointments include:

- Executive Director of the Company from 2004 to 2010
- Founding employee and Business Operations Director of the Group
- Operations manager of Motorola Semiconductors Hong Kong Limited

Non-executive Directors

Dr. LI Jun, aged 42

- Non-executive Director
- Appointed to the Board: 2014
- Member of the Investment Committee

Skills and experience:

- Graduated from Wu Han University with a doctoral degree in photogrammetry and remote sensing
- With over 10 years of working experience, spanning government industrial planning, enterprise strategy, informatization planning and science & technology management
- Directed the writing of Development and Application of China's Strategic Emerging Industries, Development and Management Practice of China's Strategic Emerging Industries, Investment & Financing and M&A Strategies of China's Strategic Emerging Industries, and Development and Application of China's Cloud Computing Industry

Current appointments include:

- General manager, department of planning, science & technology of CEC
- Non-executive director of TPV Technology Limited (HKSE: 0903) and China Greatwall Technology Group Co., Ltd. (SSE: 000066)

Former appointments include:

- President and executive director of CCID Consulting Company Limited (HKSE: 8235)
- Deputy chief engineer of China Center for Information Industry Development, the think tank under the Ministry of Industry and Information Technology

Mr. ZHAO Guiwu, aged 55

- Non-executive Director
- Appointed to the Board: 2010
- Resigned from the Board: 14 March 2018
- Member of the Audit Committee and Remuneration Committee

曾任職位包括：

- 於2004至2010年期間任本公司執行董事
- 集團始創員工及業務營運總監
- 萬力半導體香港有限公司營運經理

非執行董事

李峻博士，42歲

- 非執行董事
- 獲委任為董事：2014
- 投資委員會委員

才能及經驗

- 畢業於武漢大學，獲攝影測量與遙感博士學位
- 超過十年的政府產業規劃、企業戰略、信息化規劃及科技管理經驗
- 主持撰寫了《中國戰略性新興產業發展及應用實踐》、《中國戰略性新興產業發展及管理實踐》、《中國戰略性新興產業投融資及併購戰略》及《中國雲計算產業發展及應用實踐》

現任職位包括：

- 中國電子規劃科技部主任
- 冠捷科技有限公司(香港股份編號：0903)及中國長城科技集團股份有限公司(上海證券股份代碼：000066)的非執行董事

曾任職位包括：

- 賽迪顧問股份有限公司(香港股份編號：8235)總裁及執行董事
- 工業和資訊化部中國電子信息產業發展研究院(為工業和信息化部所監察之智囊團)副總工程師

趙貴武先生，55歲

- 非執行董事
- 獲委任為董事：2010
- 辭任董事：2018年3月14日
- 審核委員會及薪酬委員會委員

Skills and experience:

- Received a master's degree in inorganic non-metallic materialism from Tianjin University
- Extensive experience in semiconductors industry

Current appointments include:

- Vice Chairman of Shanghai Huahong Group Co., Ltd.

Former appointments include:

- Director of Huada
- Chairman of Belling
- Chairman of Huahong IC Design Co., Ltd
- Non-executive vice-chairman of China Electronics Corporation Holdings Company Limited (HKSE: 0085)
- General manager of the Integrated Circuit Business Group of CEC, deputy manager of the Strategic Planning Department and general manager of the Planning Development (Strategic Projects) Department of CEC, Chief of Planning Division of the Department of Corporate Planning of China Electronics Technology Group Corporation and deputy general manager of CETC (Deqing) Huaying Electronics Co., Ltd

Independent Non-executive Directors**Mr. LEUNG Heung Ying, aged 54**

- Independent Non-executive Director
- Appointed to the Board: 2014
- Chairman of the Audit Committee
- Member of the Remuneration Committee, Nomination Committee and Investment Committee

Skills and experience:

- Received a bachelor's degree from the University of Bradford, United Kingdom, a master's degree from London School of Economics and Political Science of University of London, United Kingdom and a bachelor's degree in Chinese Laws from Peking University, the PRC
- Fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, as well as committee member of Hong Kong Securities Professionals Association

Current appointments include:

- Managing director and founder of Proton Capital Limited
- Member of the Public Affairs Forum of the HKSAR Government
- Committee member of the Political Consultative Committee of Wu Hua County of Guangdong Province
- Arbitrator of the Panel of Arbitrators of China International Economic and Trade Arbitration Commission

才能及經驗：

- 畢業於天津大學無機非金屬材料專業，擁有碩士學位
- 於半導體行業有豐富經驗

現任職位包括：

- 上海華虹集團有限公司副董事長

曾任職位包括：

- 華大董事
- 貝嶺董事長
- 華虹集成電路設計有限公司董事長
- 中國電子集團控股有限公司(香港股份編號：0085)非執行副主席
- 中國電子集成電路事業本部主任、中國電子戰略規劃部副總經理及規劃計畫部(重大項目)總經理、中國電子科技集團公司企業策劃部規劃處處長及中電科技(德清)華瑩電子有限公司副總經理

獨立非執行董事**梁享英先生，54歲**

- 獨立非執行董事
- 獲委任為董事：2014
- 審核委員會主席
- 薪酬委員會、提名委員會及投資委員會委員

才能及經驗：

- 於英國百拉福大學取得學士學位，英國倫敦大學倫敦經濟及政治學院之碩士學位，及中國北京大學之中國法律學士學位
- 英格蘭及威爾斯特許會計師公會及香港會計師公會之資深會員，以及香港證券學會的委員

現任職位包括：

- 普頓資本有限公司董事總經理及創辦人
- 香港特別行政區政府公共事務論壇成員
- 廣東省五華縣政協委員
- 中國國際經濟貿易仲裁委員會國際(涉外)爭議仲裁員

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (continued)

董事會及高級管理層(續)

Former appointments include:

- Member to the Listing Committee of Stock Exchange (2010-2016)
- Executive director of Harmonic Strait Financial Holdings Limited (HKSE: 0033)
- Independent non-executive director of Creative Energy Solutions Holdings Limited (HKSE: 8109)
- Member of the Hong Kong Institute of Certified Public Accountants Corporate Finance Committee, the Expert Panel on Listing and the Advisory Committee on Listing and Takeover Regulations

Mr. SHEU Wei Fu, aged 48

- Independent Non-executive Director
- Appointed to the Board: 2014
- Chairman of the Remuneration Committee
- Member of the Nomination Committee

Other than the Company, Mr. Sheu did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

Skills and experience:

- Received a bachelor's degree in business/managerial economics from the University of California, San Diego
- With over 18 years of high technology industry experience focusing on strategy, business development and supply chain integration for original development manufacturers and original equipment manufacturers

Current appointments include:

- Special assistant to the chairman & CEO (Strategy & Planning) of Quanta Computer Inc.

Former appointments include:

- Alternate director to Dr. Lam Pak Lee, a Non-executive Director who retired from the Board at the conclusion of the Annual General Meeting held in May 2014

Mr. YIU Tin Chong, Joseph, aged 68

- Independent Non-executive Director
- Appointed to the Board: 2011
- Chairman of Nomination Committee
- Member of the Audit Committee, Investment Committee and Remuneration Committee

Other than the Company, Mr. Yiu did not hold any directorships in the companies of which the shares are listed on the Stock Exchange or overseas in the last three years.

曾任職位包括：

- 聯交所上市委員會成員(2010-2016)
- 和協海峽金融集團有限公司(香港股份編號：0033)執行董事
- 科瑞控股有限公司(香港股份編號：8109)獨立非執行董事
- 香港會計師公會企業融資委員會、香港上市專家評審委員會及香港上市及收購條例諮詢委員會成員

許維夫先生，48歲

- 獨立非執行董事
- 獲委任為董事：2014
- 薪酬委員會主席
- 提名委員會委員

除本公司外，許先生於過往三年並無在於聯交所或海外上市的公司中擔任任何董事職務。

才能及經驗：

- 於加州大學聖地牙哥分校取得商業管理經濟學理學士學位
- 擁有超過18年高科技行業專業經驗，專注於策略、業務開發及專為原始發展生產商與原始機器生產商整合其供應鏈

現任職位包括：

- 廣達電腦股份有限公司主席及行政總裁之特別助理(策略與規劃)

曾任職位包括：

- 曾擔任已於2014年5月舉行的股東週年大會完結時告退的非執行董事林百里博士之替代董事

姚天從先生，68歲

- 獨立非執行董事
- 獲委任為董事：2011
- 提名委員會主席
- 審核委員會、投資委員會及薪酬委員會委員

除本公司外，姚先生於過往三年並無在於聯交所或海外上市的公司中擔任任何董事職務。

Skills and experience:

- Received a master's degree in electrical engineering, computer science and business administration, respectively
- With rich work experience covering automotive electronics, computer systems, wireless communication and semiconductor products, and for both technical and corporate management fields

Former appointments include:

- Chairman emeritus of Freescale Semiconductor (Hong Kong) Ltd ("FSHKL") and advisor to FSHKL on regional business strategy, government affairs and corporate governance
- Corporate vice president of Motorola Group and general manager of Motorola Semiconductors Hong Kong Limited

Founder and Chairman Emeritus

Dr. LEUNG Kwong Wai, JP, aged 61, is the Founder and Chairman Emeritus of the Group.

Company Secretary

Mr. NG Sui Wa, aged 55, Vice President, Finance. Mr. Ng joined Solomon Systech Limited in 2017. He is currently acting as the Company Secretary and the Authorized Representative of the Company pursuant to Rule 3.05 of the Listing Rules and is also a director of various wholly-owned subsidiaries of the Group. Mr. Ng has extensive experiences in auditing, accounting, financing and company secretarial work. Prior to joining the Company, Mr. Ng served as chief financial officer and company secretary of a listed company in Hong Kong.

才能及經驗：

- 分別獲頒電子工程、電腦科學及商學碩士
- 具廣泛工作經驗，涵蓋汽車電子、計算機系統、無線通訊及半導體產品等領域，以及技術研發及企業管理層面

曾任職位包括：

- 飛思卡爾半導體(香港)有限公司(「飛思卡爾香港」)榮譽主席，就區域業務拓展策略、政府關係及企業管治等多方面提供諮詢服務
- 摩托羅拉集團副總裁及萬力半導體香港有限公司總經理

永久榮譽主席

梁廣偉博士，太平紳士，61歲，本集團永久榮譽主席。

公司秘書

吳瑞華先生，55歲，為集團副總裁—財務。吳先生於2017年加入晶門科技有限公司。他目前兼任本公司的公司秘書職務及為依據上市規則第3.05條本公司所委任之授權代表，亦為多家集團全資附屬公司的董事。吳先生在審計、會計、財務和公司秘書方面擁有豐富的經驗。在加入本公司之前，吳先生曾任一家香港上市公司首席財務官及公司秘書。

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (continued)

董事會及高級管理層(續)

Senior Management

Mr. LO Wai Ming (please refer to Executive Director on p.19)

Mr. WANG Wah Chi, Raymond, aged 52, Corporate VP and Head of Advanced Display Business Unit. Mr. Wang rejoined Solomon Systech Limited in 2006 as Business Operations Director.

Dr. WU Wenchi, aged 49, Vice President, Design Engineering. Dr. Wu joined Solomon Systech Limited in 2017. Prior to joining the company, Dr Wu was assistant general manager of Socle Technology Corporation. Dr. Wu holds a doctorate degree in electrical engineering from the National Central University in Taiwan.

Ms. LO Oi Yee, Mabel, aged 53, Human Resources Director. Ms. Lo joined Solomon Systech Limited in 2000 as Human Resources Manager.

Mr. WONG Ka Kei, aged 52, Planning & Customer Services Director. Mr. Wong joined Solomon Systech Limited in 2005 as Business Process Solutions Manager.

Changes in Information of Directors

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, changes in information of Directors of our Company subsequent to the date of the Company's 2017 Interim Report are as follows:

- Mr. Li Rongxin was appointed chairman of Shanghai Anlogic Infotech Ltd. in mid 2017
- Mr. Zhao Guiwu ceased to be a director of Huada at the end of 2017

高級管理人員

盧偉明先生(請參閱第19頁執行董事一節)

王華志先生，52歲，集團副總裁及先進顯示事業中心主管。王先生於2006年重新加入晶門科技有限公司出任業務營運總監。

吳文琦博士，49歲，副總裁－設計工程。吳博士於2017年加入晶門科技有限公司。加入公司前，吳博士為虹晶科技股份有限公司協理。吳博士擁有台灣國立中央大學電機工程博士學位。

盧愛兒女士，53歲，人力資源總監。盧女士於2000年加入晶門科技有限公司出任人力資源經理。

黃家驥先生，52歲，策劃及客戶服務總監。黃先生於2005年加入晶門科技有限公司出任業務流程經理。

董事資料變更

根據聯交所上市規則第13.51B(1)條的資料披露規定，於本公司2017年中期報告日期後之本公司董事資料的變更如下：

- 李榮信先生於2017年中獲委任為上海安路信息科技有限公司主席
- 趙貴武先生於2017年底停任華大董事

CORPORATE GOVERNANCE REPORT

企業管治報告

Corporate governance practices

The Board of Directors and the management of the Group are committed to achieving and maintaining high standards of corporate governance and continuously improve these standards, which the Group considers as critical in safeguarding the integrity of its business operations and maintaining investors' trust in the Company, and good corporate governance is indispensable for long-term business success and sustainable performance of the Group. The management also actively and constantly observes the latest corporate governance developments in Hong Kong and overseas, particularly those in UK and USA.

The Company has adopted and applied the corporate governance principles that emphasize a quality board, effective internal controls, stringent disclosure practices, transparency and accountability. The Company has complied with all the applicable Code Provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2017. To maintain high standards of corporate governance, the Company has adopted the recommended best practices in the Code where appropriate. In addition, the Company is committed to continuously improving these practices and inculcating an ethical corporate culture.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for Directors' securities transactions. All the Directors have confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2017. Regarding the shares held by the Directors, the details are listed in the "Report of the Directors" from pages 45 to 57 of this Annual Report. Pursuant to the Code Provision A.6.4, the Company established its own written guidelines on no less exacting terms than the Model Code for Directors and relevant employees who are likely to be in possession of unpublished inside information in respect of their dealings in the securities of the Company. All Directors and relevant employees conformed to the Group's own guidelines throughout the year 2017.

Board of Directors

The Board is responsible for overseeing the management of the Company's business and affairs with the goal of maximizing long-term value for shareholders, while balancing broader stakeholder interests. Schedule of matters reserved for the Board include:

- Strategy and management
- Group structure and capital
- Financial reporting and control

企業管治常規

本集團的董事會及管理層承諾達到及保持高水平的企業管治，以及不斷優化該等水平，這也是維護本集團業務營運的誠信和提高投資者對本公司信心的關鍵因素，而良好的企業管治是達致本集團長期業務成功不可或缺的一環。管理層亦主動和經常地留意香港與海外(特別是英國及美國)的最新企業管治的發展。

本公司採納及應用企業管治原則，強調要有一個優秀的董事會、有效的內部監管、嚴格的披露常規，具透明度及問責度。截至2017年12月31日止年度內，本公司一直遵守上市規則附錄14所載之企業管治守則(「守則」)中所有適用的守則條文。為維持高水平的企業管治標準，本公司已採納守則中適當的建議最佳常規守則。此外，本公司不斷優化該等常規，培養高度操守的企業文化。

董事的證券交易

本公司已採納上市規則附錄10所載的上市發行人董事進行證券交易的標準守則(「標準守則」)作為董事進行證券交易的守則。全體董事已向本公司確認彼等於截至2017年12月31日止年度內一直遵守標準守則所載的規定。就董事所持有的股份而言，有關詳情乃列於本年報第45至57頁之「董事會報告」一節。根據守則條文第A.6.4條，本公司已就董事及有關員工可能在買賣本公司證券時取得尚未公開的內幕消息，制訂不比標準守則寬鬆的書面指引。於2017年全年，所有董事及有關員工已確認遵守本集團之內部指引。

董事會

董事會負責監督本公司對業務及事務的管理，目標為盡量為股東提升長遠的價值，同時均衡廣泛的持份者的權益。董事會審議的事宜包括：

- 策略及管理
- 集團架構及資本
- 財務報表及監控

- Internal controls
- Major contracts
- Corporate communications
- Board membership and other appointments
- Remuneration
- Authority and delegation
- Corporate governance
- Company policies
- 內部監控
- 主要合約
- 企業傳訊
- 董事會成員及其他任命
- 薪酬
- 職權及授權
- 企業管治
- 公司政策

Matters not specifically reserved for the Board and relate primarily to the daily operations of the Group are delegated to the management under the supervision and leadership of the CEO.

其他非特定之董事會職責以及有關本集團主要的日常運作事務，則在行政總裁監督及領導下委派管理層處理。

Board Composition

As at the date of this Annual Report, the Board comprises two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of the Company's operations, to ensure that the size of the Board is adequate to provide a diversity of views and facilitate effective decision-making. The biographical details of all Directors and the relationships among them, if any, are set out in the "Board of Directors and Senior Management" on pages 18 to 24 of this Annual Report and the Company's website. Except as disclosed in the section of "Board of Directors and Senior Management", none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board and the Company has received annual confirmation of independence from each of the Independent Non-executive Directors.

The Company is committed to selecting the most appropriate persons as members of the Board for the role. Since 2013, the Board has adopted a Board Diversity Policy which has been published on the Company's website for better transparency and corporate governance.

The selection of Board members is based on a range of diverse perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates can bring to the Board.

董事會組合

於本年報日，董事會計有兩名執行董事，三名非執行董事及三名獨立非執行董事。本集團會不時檢討董事會的規模及組成，當中會考慮本公司的業務範圍及性質，以確保董事會的規模足以提供不同的觀點，並作出有效決策。所有董事的履歷詳情及彼等之間的關係(如有)均載於本年報第18至24頁之「董事會及高級管理層」一節及本公司網站。除「董事會及高級管理層」一節所披露外，概無董事與董事會成員之間有任何財務、商業、家族或其他重大或相關關係，而本公司亦已收到各獨立非執行董事之年度對獨立性的確認函。

本公司致力於選擇最合適人選作為董事會成員。為進一步提升透明度及企業管治水平，自2013年起，董事會已採納登載於本公司網站供公眾查閱的董事會成員多元化政策。

甄選董事會成員將按一系列多元化範疇為基準，除教育背景、專業經驗、技能、知識及服務任期外，亦包括但不限於性別、年齡、文化背景及種族。最終將按人選的長處及可為董事會作出的貢獻而作決定。

To assist the Board in the execution of its duties, the Board has delegated specific functions to four Board Committees. The principal Board Committees are the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee, details of which are as follows:

董事會向四個董事委員會委派指定職責，以便董事會執行其職務。主要董事委員會為審核委員會、薪酬委員會、提名委員會及投資委員會，詳情載列如下：

| | Position 職位 | Date of first appointment to the Board 首次獲委任為董事會成員的日期 | Date of last re-election as Director 最近一次膺選連任為董事的日期 | Audit Committee 審核委員會 | Remuneration Committee 薪酬委員會 | Nomination Committee 提名委員會 | Investment Committee 投資委員會 |
|------------------------------|---|---|---|---------------------------------|--|--------------------------------------|--------------------------------------|
| Li Rongxin 李榮信 | Non-executive Director/Chairman 非執行董事／主席 | 8 October 2014 2014年10月8日 | 7 June 2017 2017年6月7日 | | | √ | √ |
| Li Jun 李峻 | Non-executive Director 非執行董事 | 8 October 2014 2014年10月8日 | 7 June 2017 2017年6月7日 | | | | √ |
| Zhao Guiwu 趙貴武 | Non-executive Director 非執行董事 | 11 October 2010 2010年10月11日 | 16 June 2015 2015年6月16日 | √ | √ | | |
| Yeh Tsuei Chi 葉垂奇 | Executive Director/CEO 執行董事／行政總裁 | 23 March 2016 2016年3月23日 | 7 June 2017 2017年6月7日 | | | | C |
| Lo Wai Ming 盧偉明 | Executive Director 執行董事 | 7 June 2016 2016年6月7日 | 7 June 2017 2017年6月7日 | | | | √ |
| Leung Heung Ying 梁享英 | Independent Non-executive Director 獨立非執行董事 | 8 October 2014 2014年10月8日 | 7 June 2017 2017年6月7日 | C | √ | √ | √ |
| Sheu Wei Fu 許維夫 | Independent Non-executive Director 獨立非執行董事 | 8 October 2014 2014年10月8日 | 7 June 2017 2017年6月7日 | | C | √ | |
| Yiu Tin Chong, Joseph 姚天從 | Independent Non-executive Director 獨立非執行董事 | 6 July 2011 2011年7月6日 | 16 June 2015 2015年6月16日 | √ | √ | C | √ |

C – chairman of the committee 委員會主席

√ – member of the committee 委員會成員

The Company has taken appropriate insurance cover to indemnify our Directors against possible claims and liabilities arising out of the Group's business and activities.

本公司已購董事責任保險，以保障董事因本集團業務及活動而可能產生的索償及責任。

Board meetings and Board practices

The Board has scheduled to meet for at least four times a year, and the Board will also meet on other occasions when a board-level decision on a particular matter is required. The meetings are structured to allow open discussion. All Directors participate to discuss the strategy, operational and financial performance and internal control of the Group.

The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

The Company Secretary is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information.

Minutes of the Board, Board Committee and General Meetings are kept by the Company Secretary and are made available and circulated to all Directors periodically.

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings.

Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board, the Company will deal with the matter by a physical board meeting rather than written resolution or a Board Committee (except if that Board Committee was specifically established for such purpose). Independent Non-executive Directors with no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Other than the exceptional criteria allowed under the Listing Rules, any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant Board meeting or no vote for the relevant Board resolutions.

All the Board Committees adopted the same principles and procedures used in the Board meetings.

董事會會議及董事會常規

董事會每年召開至少四次會議，於需要就某事項作出董事會決議時，董事會亦將於其他情況下召開會議。會議形式均有利於進行坦誠討論。所有董事參與討論本集團的策略、營運及財務表現以及內部監控。

本公司的公司秘書(「公司秘書」)協助主席編製會議議程，每名董事可要求將任何有關事項列入議程。一般而言，本公司舉行定期會議前需要發出至少14天的通知。所有主要議程項目均有全面簡介文件，一般於每次董事會會議召開前三天傳閱。

公司秘書負責於董事會會議前分派詳細文件予董事，以確保董事能夠就會議上討論的事項作出知情決定，以便彼等可獲得準確、及時與清晰的資料。

董事會、董事委員會及股東大會的會議記錄，均由公司秘書妥為保存，並可供全體董事查閱及定期向彼等傳閱。

所有董事可獲得公司秘書的建議及服務，公司秘書將就管治及監管事項定期向董事會提供更新資料。公司秘書亦負責確保董事會會議依程序進行，並就有關遵守董事會會議程序的事項向董事會提供意見。

經提出合理要求，董事可在適當情況下尋求獨立專業意見，有關費用由本公司承擔。董事會應通過決定向董事提供適合之獨立專業意見，以協助有關董事履行職務。

倘若主要股東或董事在董事會將予考慮的事項中存在利益衝突，本公司會透過舉行董事會會議處理該事項，而非透過書面決議案或經由董事委員會方式處理(特別為此目的而組建的董事委員會除外)。倘認為適當，於該事項中無重大權益的獨立非執行董事將出席處理該事項的會議。除上市規則准許的例外情況外，在所提呈的任何董事會決議案中擁有任何重大權益的任何董事或其聯繫人，均不得計入有關董事會會議的法定人數內，亦不得就有關董事會決議案投票。

所有董事委員會均採納董事會會議中所採用的相同原則及程序。

Board meetings, Board Committees meetings and General Meetings

The attendance of Directors at Board meetings, Board Committees meetings and General Meetings during the year under review are set out below:

董事會會議、董事委員會會議及股東大會

本回顧年度董事出席的董事會會議、董事委員會會議及股東大會詳情列於下表：

| | | Annual/ Extraordinary General Meeting 股東週年/ 特別大會 | Board Meeting 董事會 會議 | Audit Committee Meeting 審核委員會 會議 | Remuneration Committee Meeting 薪酬委員會 會議 | Nomination Committee Meeting 提名委員會 會議 | Investment Committee Meeting 投資委員會 會議 |
|--|----------------|--|-------------------------------|--|---|---|---|
| Number of meetings held | 舉行會議次數 | 2 | 7 | 2 | 3 | 1 | 2 |
| Members of the Board | 董事會成員 | Number of meetings attended (Attendance Rate) 出席會議次數(出席率) | | | | | |
| Non-executive Directors | 非執行董事 | | | | | | |
| Li Rongxin (Chairman) | 李榮信(主席) | 1/50% | 7/100% | | | 1/100% | 2/100% |
| Li Jun | 李峻 | 1/50% | 6/86% | | | | 2/100% |
| Zhao Guiwu | 趙貴武 | 1/50% | 7/100% | 2/100% | 3/100% | | |
| Executive Directors | 執行董事 | | | | | | |
| Yeh Tsuei Chi (CEO) | 葉垂奇(行政總裁) | 1/50% | 7/100% | | | | 2/100% |
| Lo Wai Ming | 盧偉明 | 1/50% | 7/100% | | | | 2/100% |
| Independent Non-executive Directors | 獨立非執行董事 | | | | | | |
| Leung Heung Ying | 梁享英 | 2/100% | 6/86% | 2/100% | 3/100% | 1/100% | 2/100% |
| Sheu Wei Fu | 許維夫 | 1/50% | 7/100% | | 3/100% | 1/100% | |
| Yiu Tin Chong, Joseph | 姚天從 | 2/100% | 7/100% | 2/100% | 3/100% | 1/100% | 2/100% |

Pursuant to the Code Provision A.6.7, Independent Non-executive Directors and Non-executive Directors should attend general meetings. According to the above table, all the Independent Non-executive Directors, Non-executive Directors and Executive Directors were present at the 2017 AGM and available to answer questions from shareholders of the Company.

根據守則條文第A.6.7條，獨立非執行董事及非執行董事應出席股東大會。根據上述列表，本公司所有獨立非執行董事、非執行董事及執行董事均已出席2017股東大會並回答本公司股東之問題。

Directors' continuous training and development

The Group has been responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director to all the Directors of the Company. All the Directors of the Company understand that they should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they are equipped with all information required for making relevant contributions to the Board.

The Company provides various guideline materials to Directors, for instance, Directors' duties and responsibilities, the relevant laws and regulations applicable to Directors and duty of disclosure of interest and business of the Group. Every newly appointed Director will receive a comprehensive induction session at his appointment. All Directors are encouraged to have continuous professional development to enhance and refresh their knowledge and skills.

In 2017, all of the Directors attended the seminars or read materials on the corporate governance, updates on laws, rules and regulations and other professional skills. Directors were also encouraged to take educational courses on duties of the directors.

The Board has received from each of the Directors (Independent Non-executive Directors, Non-executive Directors and Executive Directors) of the Company a record of the training received for the year ended 2017 indicating their compliance to the Code Provision A.6.5.

董事之持續培訓及發展

本集團一直負責安排合適的培訓並提供有關經費，以及適切着重上市公司董事的角色、職能及責任給予本公司各董事。所有本公司的董事均已知悉他們應參與持續專業發展，發展並更新其知識及技能，以確保其具備全面資訊及切合所需的情況下對董事會作出貢獻。

本公司提供多元化的指引資料予董事，如董事責任及義務、應用於董事的相關法律和規例及本集團的利益和企業的披露責任。每位新委任之董事均會獲得全面的就任須知。所有董事均鼓勵持續專業發展，以加強及重溫他們的知識及技能。

於2017年，所有董事出席了講座或閱覽有關企業管治、法律、規則和規例之最新資料及其他專業技能。本集團亦鼓勵董事修讀有關董事職務之教育課程。

董事會亦收悉本公司每位董事(獨立非執行董事、非執行董事及執行董事)於2017年度止所接受的培訓記錄均顯示他們已經遵守守則條文第A.6.5條。

Chairman and Chief Executive Officer

The roles and responsibilities of the Non-executive Chairman, Mr. Li Rongxin, and the CEO, Dr. Yeh Tsuei Chi are segregated as stipulated in the Listing Rules, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Non-executive Chairman, Mr. Li Rongxin, is responsible for ensuring that all Directors act in the best interest of shareholders. Acting independently from the Company, he is fully accountable to the shareholders and contributes to the Board and the Group on all top-level or strategic decisions. Specifically, he is assigned with three key roles to perform, namely leading the Board, ensuring the Group's effective communication with shareholders and implementing a high standard of corporate governance.

Dr. Yeh Tsuei Chi, as CEO, is responsible for managing the Group's operation and executing the strategies adopted by the Board. He leads the Group's management team in accordance with the directions set by the Board. He is responsible for ensuring that a proper internal control system is in place and that the Group's business conforms to applicable laws and regulations. The CEO chairs the monthly operations and financial reviews and also the weekly management staff meetings, as well as the quarterly employees' communication meeting.

Directors' appointment, re-election and removal

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director shall retire from office at least once every three years or within such other period as the rules of the Stock Exchange may from time to time prescribe. A retiring Director shall be eligible for re-election and shall continue to act as a Director at the annual general meeting at which he retires.

In order to promote the independence of Non-executive Directors and Independent Non-executive Directors, the Company implemented the policy regarding the terms of office of Non-executive Directors and Independent Non-executive Directors ("Service Term Policy"). The terms of appointment of all Non-executive Directors and Independent Non-executive Directors should not be more than nine consecutive years. They should not offer themselves for re-election for any period beyond the annual general meeting at which they retire.

主席及行政總裁

非執行主席李榮信先生及行政總裁葉垂奇博士之職責及職權，根據上市規則的規定已作區分，以確保權力均衡，權力均衡，加強問責性，以及提高董事會作出獨立決策的能力。

非執行主席李榮信先生的職責是確保全體董事均以股東的最佳利益行事。獨立於本公司，他對股東負全責，在所有高層次或策略決定上，向董事會及本集團提供建議。具體而言，他獲委予三項主要職務，包括領導董事會、確保本集團與股東進行有效溝通及實行高標準之企業管治。

行政總裁葉垂奇博士負責管理本集團運作，以及執行董事會採納的策略。他帶領本集團的管理團隊按照董事會的指示履行職務。他須確保本集團具備適當的內部監控體系，及本集團的業務經營遵守適用的法律和規例。行政總裁於每月召開的業務及財務檢討會議和每星期召開的高級管理層會議擔任主席，並會主持每季召開的員工溝通大會。

董事的委任、重選及罷免

於本公司的每次股東週年大會上，三分之一當時的董事，或倘其人數並非三或三的倍數，則最接近的人數不少於三分之一，須輪席告退。每一位董事最少需要每三年或按聯交所不時規定之期限內退任。退任董事可參加重選連任，並在其退任董事的股東週年大會上繼續以董事資格行事。

為了促進非執行董事和獨立非執行董事的獨立性，本公司已實施一項關於非執行董事和獨立非執行董事任期的政策（「任期政策」）。所有非執行董事和獨立非執行董事的任期均不能連續超過九年。在其退任董事的股東週年大會之後的任何期間，他們都不應膺選連任。

Non-executive Directors

The Non-executive Directors bring a wide range of skills, industry and business experience to the Group. The composition of Executive and Non-executive Directors (including Independent Non-executive Directors) demonstrates a strong independent element on the Board, which can effectively exercise independent judgment pursuant to the Code Provision A.3 so as to further strengthen the Company's corporate governance. The Non-executive Directors are of sufficient caliber and number for their views to carry weight. At least once a year, Non-executive Directors and also Independent Non-executive Directors will have a private discussion with the Chairman on the Group's matters. In addition, Non-executive Directors, according to the Group's policy, may approach the Group's employees at anytime they think appropriate. During the year under review, the Group's management also met with certain Non-executive Directors to seek their views on certain business or operational matters.

During the year 2017, the Board had a total of three Independent Non-executive Directors and they represented more than one-third of the Board, which is a sufficient number to meet the minimum requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

All Independent Non-executive Directors bring their wealth of experience to the Board and make active contributions to the Group. They closely monitor the Group's development and freely express their opinions at the Board meetings. All Independent Non-executive Directors, except as disclosed in this Annual Report, do not have any business with or financial interests in the Group and confirmed their independence to the Group pursuant to Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Subject to re-election according to the procedures set out in the Company's Articles of Association, the Company has entered into service contracts for a specific term ended on 30 June 2018 with each of the Non-executive Directors and Independent Non-executive Directors.

非執行董事

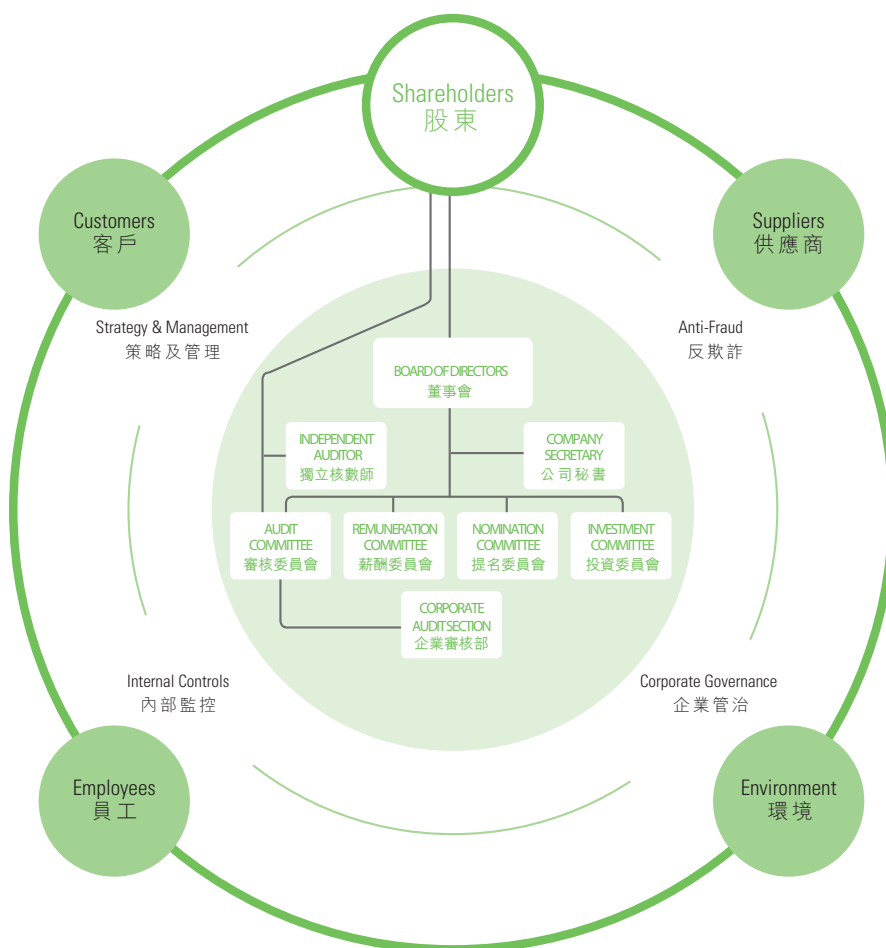
非執行董事為本集團帶來各方面的技術、行業及業務經驗。公司董事會中執行董事與非執行董事(包括獨立非執行董事)的組成具備強大的獨立元素，能夠有效達成守則條文A.3條所載的獨立判斷，進一步加強本公司的企業管治。非執行董事具有足夠才幹和人數，以使其意見具有影響力。非執行董事及獨立非執行董事就本集團事宜與主席進行每年不少於一次的私下討論。此外，根據本集團之政策，非執行董事可於彼等認為合適時隨時接觸本集團之員工。回顧年度內，本集團的管理層亦不時會見若干非執行董事，尋求他們在若干業務或營運事宜的意見。

於2017年度內，董事會共有三名獨立非執行董事，而他們佔董事會成員人數超過三分之一，已有足夠人數，符合上市規則第3.10(1)條及第3.10A條的最低要求之規定。

所有獨立非執行董事都憑藉他們豐富的經驗為董事會效力，並積極為本集團作出貢獻。他們密切監察本集團的發展，並在董事會會議上自由發表意見。根據上市規則第3.13條，所有獨立非執行董事(除本年報所披露外)與本集團之間並無任何業務或財務方面的利益關係。本公司認為所有獨立非執行董事根據上市規則之獨立指引是獨立於本集團。

受本公司組織章程細則所載的膺選連任程序的規限，本公司已與各非執行董事及獨立非執行董事訂立服務合約至2018年6月30日。

Corporate governance structure 企業管治架構



Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. A majority of the votes in the Remuneration Committee are exercisable by Independent Non-executive Directors. The Committee does not deal with the remuneration of Non-executive Directors which shall be a matter for the Executive Directors of the Board. No Director or senior executive will be involved in any discussion in connection with his or her own remuneration. The Committee also consults the Chairman about their proposals relating to the remuneration of other Executive Directors and has access to professional advice if considered necessary. The Committee consulted the head of human resources in respect of human resources policy and market as well as other company information.

薪酬委員會

薪酬委員會的委員包括一名非執行董事及三名獨立非執行董事。獨立非執行董事在薪酬委員會內佔大比數投票權。該委員會不會處理非執行董事的酬金事宜，釐定非執行董事的酬金應屬於董事會執行董事的職務。董事或高級行政人員將不會參與有關其酬金的任何討論。該委員會亦會向主席諮詢有關其他執行董事酬金的意見，並在有需要時，尋求專業意見。該委員會會向人力資源部主管諮詢有關人事政策、市場及其他公司資料。

The meetings of the Remuneration Committee shall normally be held not less than once a year to review and approve principally the remuneration of Executive Directors of the Company. The Committee, currently chaired by Mr. Sheu Wei Fu, has delegated to the CEO the authority to approve the remuneration of all the employees of the Group below the rank of Executive Director. Policy related remuneration schemes will be decided by the Remuneration Committee.

The main duties of the Remuneration Committee are as follows:

- To determine the framework and broad policy for the remuneration of Directors, senior management and general staff
- To establish guidelines for the recruitment of the CEO and senior management
- To approve the policy and structure for the remuneration of Directors (including Non-executive Directors) whilst ensuring no Director or any of his associates is involved in deciding his own remuneration
- To determine the remuneration of Executive Directors including benefits in kind, pension right and compensation payment
- To review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to Executive Directors and senior management which shall be fair and not excessive
- To review the criteria for assessing the performance of the Executive Directors and/or senior management which should reflect the Company's business objectives and targets
- To determine the annual performance bonus for Executive Directors and review the annual performance bonus for senior management achievements against the performance criteria and by reference to market norms
- To engage such external professional advisors to assist and/or advise the Remuneration Committee on issues as it considers necessary

In 2017, the Remuneration Committee confirmed the remuneration policy for the Executive Directors, assessed their performances as well as reviewed their employment contracts with the Group. Details of remuneration of Directors and the senior management can be obtained in notes 10(a) and 9(c) respectively of the Notes to the Consolidated Financial Statements section.

薪酬委員會每年召開不少於一次會議，主要是檢討和核准本公司執行董事的酬金。該委員會現時由許維夫先生擔任主席，並已授予行政總裁權力，以核准屬於執行董事職級以下本集團全體員工的酬金。薪酬委員會將作出有關薪酬政策事宜的決定。

薪酬委員會之主要職務如下：

- 審批董事、高級管理層及一般員工的廣泛薪酬政策
- 制定招聘行政總裁及高級管理層的指引
- 審批就董事(包括非執行董事)薪酬的政策及結構，同時確保任何董事或其任何聯繫人不得參與釐定自己的薪酬
- 釐定執行董事的薪酬待遇，包括非金錢利益、退休金權利及賠償金額
- 檢討及批准有關執行董事及高級管理層因喪失或被終止其職務或委任或因行為失當而被解僱或罷免所涉及的賠償安排。有關賠償須公平合理而不致過多
- 審閱評估執行董事及／或高級管理層表現的準則；有關準則須反映本公司的業務目的及目標
- 根據表現準則評核執行董事、高級管理層的表現並參考市場標準，釐定執行董事以及審閱高級管理層的年度表現花紅
- 就薪酬委員會認為有需要的事宜外聘專業顧問，向委員會提供協助及／或意見

於2017年，薪酬委員會已確認執行董事的薪酬政策、評估其表現及審閱其與本集團的聘用合約。董事及高級管理層之薪酬詳情分別載於綜合財務報表附註10(a)及9(c)內。

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors, with a majority being Independent Non-executive Directors. The Committee generally meets before the annual general meeting, or at other times as required by the Chairman of the Committee.

The Nomination Committee, led by the Chairman Mr. Yiu Tin Chong, Joseph, will identify qualified candidates to fill the Board membership whenever such vacancy arises. It will nominate such candidates for the Board to consider, and regularly review the composition of the Board as well as make suggestions on any change that may be required.

The main duties of the Nomination Committee are as follows:

- To review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy
- To assess the independence of Independent Non-executive Directors
- To identify and nominate candidates to the Board for it to appoint or to recommend to shareholders for election
- To regularly review the time required from a Director to perform his responsibilities
- To make recommendations to the Board on relevant matters relating to the succession planning for the Chairman, the CEO as well as the senior management
- To review the Board Diversity Policy, as appropriate; and the progress on achieving the objectives set for implementing the policy

In 2017, the Nomination Committee reviewed the policy for the nomination of Directors, the nomination procedures, the process and criteria to select and recommend candidate for directorship and the Board Diversity Policy. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skills and experiences appropriate for the business of the Company.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

提名委員會

提名委員會的委員包括一名非執行董事及三名獨立非執行董事，而獨立非執行董事在提名委員會內佔大比數。委員會會議須於股東週年大會前或委員會主席要求的其他時間舉行。

提名委員會由主席姚天從先生領導，會物色合資格候選人出任董事，以填補空缺。委員會就提名候選人提呈董事會考慮，並定期檢討董事會成員組成及提交需要作出變動的建議。

提名委員會之主要職務如下：

- 至少每年檢討董事會的架構、規模及組成，並按本公司的企業策略向董事會提出任何改動建議
- 評定獨立非執行董事的獨立性
- 物色候選人並向董事會提名，供董事會委任或向股東推薦選任為董事
- 定期檢討董事履行其責任所需付出的時間
- 就主席、行政總裁及高級管理層繼任計劃的有關事宜向董事會提出建議
- 審閱董事會成員多元化政策(視乎適用情況而定)及落實政策的達標進度

於2017年，提名委員會已檢討董事提名政策、挑選及建議候選人擔任董事的提名程序、過程及標準以及董事會成員多元化政策。提名委員會認為，董事會目前的成員組合為本公司提供均衡及多元化的技能及經驗，適合本公司業務所需。

提名委員會將在適當時候檢討董事會成員多元化政策，以確保該政策具持續效能。提名委員會將會討論任何或需作出修訂的事宜，再向董事會提出修訂建議及審批。

Investment Committee

The Investment Committee comprises two Executive Directors, two Non-executive Directors and two Independent Non-executive Directors. It shall meet at the request of any member of the Committee and its meetings will be facilitated by the Vice President, Finance, who will also participate in the discussion.

The Investment Committee, currently chaired by Dr. Yeh Tsuei Chi, will evaluate and approve any strategic investment of US\$2 million or less. Any strategic investment exceeding that amount will be proposed by the Committee for the Board's approval. The Committee is authorized, at the expense of the Group, to seek external professional advice it considers necessary and to arrange external advisers to attend its meetings. The Committee will also periodically report the status and performance of investments to the Board.

The main duties of the Investment Committee are as follows:

- To assist the Board in discharging its duties and responsibilities in relation to investment activities (excluding treasury or cash management)
- To assist the Board with all of its policy setting responsibilities related to investment
- To establish and document the basic investment principles and beliefs held by the Committee as well as the Code of Conduct for avoiding possible conflict of interest
- To have all necessary access and authority to seek information from management to fulfill its objectives, duties and responsibilities
- To review the appointment of external professional advisers
- To review and monitor investment performance
- To review and advise on additions to and dispositions of existing investments
- To review annually the terms of reference of the Committee and to recommend to the Board any required changes
- To submit an annual work report to the Board summarizing the Committee's activities, findings, recommendations and results for the past year

In 2017, the Investment Committee has reviewed and monitored the performance of investments and made recommendations to the Board on investment proposals.

投資委員會

投資委員會的委員包括兩名執行董事、兩名非執行董事及兩名獨立非執行董事。委員會須於任何委員會委員提出要求時召開會議，會議由副總裁－財務作出安排並會參與討論。

投資委員會現時由葉垂奇博士擔任主席，評估及批准任何二百萬美元或以下的策略性投資。任何超越該金額的策略性投資將會由委員會提呈以待董事會通過。委員會獲授權有需要時以本集團支出尋求外界專業意見及安排該等外聘顧問出席會議。委員會就投資的狀況及表現定期向董事會匯報。

投資委員會之主要職務如下：

- 協助董事會履行其於投資(不包括庫務或現金管理)方面的職責及責任
- 協助董事會制定所有有關投資責任的政策
- 訂立委員會遵循的基本投資原則及條例，及設立行為守則以避免可能發生的利益衝突
- 有權向管理層接觸及尋求資料以達致履行其目標、職務及責任
- 審閱委任外界的專業顧問
- 審閱及監察投資表現
- 審閱投資及就增加和出售現有的投資提供意見
- 每年檢討委員會的職權範圍及建議董事會作出任何所需的改動
- 向董事會呈交年度工作報告，概述委員會的活動、調查結果、建議及以往年度的成果

於2017年，投資委員會已審閱及監察投資表現及就投資提案的有關事宜向董事會提出建議。

Audit Committee

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director and is chaired by Mr. Leung Heung Ying ("Mr. Leung"). Mr. Leung is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants and has many years of corporate finance experience at company board level. Mr. Leung meets the requirement of having appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules for the purpose of such appointment.

The Audit Committee meets not less than twice a year to review and discuss the internal audit findings, internal controls, corporate governance, interim and annual consolidated financial statements respectively. It may hold additional meetings from time to time to discuss special projects or other issues it considers necessary. The independent auditor and internal auditor of the Group may request a meeting if they consider it necessary.

The Audit Committee will conduct, on behalf of the Board, annual review of the adequacy of resources, qualifications and experience of staff for the Group's accounting and financial reporting function, and training programs and budget.

The authorities of the Audit Committee include (i) investigating any activity within its terms of reference; (ii) seeking any information it requires from any employee; and (iii) obtaining outside legal or other independent professional advice if required.

The main duties of the Audit Committee are as follows:

- To make recommendations to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and deal with any question of resignation or dismissal of that auditor
- To review with the Group's management, independent auditor and internal auditor, the adequacy of the Group's policies and procedures regarding risk management and internal control systems, and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board
- To review independent auditor's independence, objectivity, effectiveness of the audit process and the scope of the independent audit including the engagement letter, prior to commencement of audit
- To review the annual, quarterly (if any) and interim financial reports prior to approval by the Board and liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the independent auditor

審核委員會

審核委員會的委員包括兩名獨立非執行董事及一名非執行董事。審核委員會由梁享英先生(「梁先生」)擔任主席。梁先生是英格蘭及威爾斯特許會計師公會及香港會計師公會之資深會員，並具有多年董事會級之企業財務經驗。梁先生具備符合上市規則第3.10(2)條的規定之適當的專業資格或會計或有關財務管理的專門技術。

審核委員會每年舉行不少於兩次會議，以審閱和商議內部審核結果、內部監控、企業管治、中期及全年綜合財務報表。委員會亦會不時舉行額外的會議，商討有關委員會認為有需要討論的特別事項或其他事宜。若本集團聘請的獨立核數師和內部審核師認為有需要，可要求召開會議。

審核委員會將代表董事會每年審核是否有足夠的資源、合資格及具經驗的員工擔任本集團的會計及財務報表職能，以及培訓計劃和預算。

審核委員會的職權包括(i)調查屬於其職權範圍內的任何活動；(ii)向任何員工尋求委員會所需的任何資料；以及(iii)在有需要時向外尋求法律或其他獨立專業意見。

審核委員會之主要職務如下：

- 負責向董事會提出就委任、重新委任及罷免獨立核數師的建議，並批准獨立核數師的薪酬及聘任條款，以及處理任何有關辭任或辭退該核數師的問題
- 與本集團的管理層、獨立核數師及內部核數師檢討本集團有關風險管理及內部監控系統的政策及程序是否足夠，以及在提交董事會批署前審閱任何董事擬載於年度賬目內的聲明
- 於開始審核工作前審視獨立核數師是否獨立、客觀、審核程序是否有效，以及獨立審核的範疇，包括聘任書
- 在提交董事會批准前審閱年度、季度(如有)及中期財務報表，及與董事會和高級管理層磋商，而該委員會必須與獨立核數師每年會面至少兩次

- To evaluate the cooperation received by the independent auditor; obtain the comments of management regarding the responsiveness of the independent auditor to the Group's needs; inquire the independent auditor as to whether there have been any disagreements with the management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements
- To seek from the independent auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff
- To review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and independent auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group
- To discuss with management the scope and quality of systems of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget
- To review the findings of internal investigations and the management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations
- To consider other topics, as defined by the Board
- 評估獨立核數師從管理層所得到的配合；取得管理層對有關獨立核數師回應本集團需要的意見；查詢獨立核數師曾否與管理層有任何意見分歧，以致若無法圓滿解決而導致獨立核數師就本集團的財務報表發出具保留意見的報告
- 每年要求獨立核數師提供就其維持獨立性及監察是否遵守相關規定所採納的政策及程序的資料，包括是否提供非審核服務及審核工作所涉及的合夥人及員工的輪任要求
- 檢討及監察內部審核職能的範疇、效能及結果，確保內部及獨立核數師互相協調，以及確保內部審核職能獲足夠資源並於本集團內有恰當地位
- 與管理層商討內部監控的範疇及質素，以及確保管理層已履行其職責確保內部監控系統有效，包括所需資源、會計及財務匯報人員的資歷及經驗和相關員工的培訓計劃及預算開支是否足夠
- 審查任何懷疑不誠實行為或不合規情況或內部監控缺失或涉嫌違反法律、規則及規例情況的內部調查結果及管理層的回應
- 考慮董事會界定的其他議題

The Audit Committee held two meetings during the year ended 31 December 2017 to review and discuss the financial results and reports, financial reporting and compliance procedures, internal control system and risk management review and process, to evaluate the effectiveness of internal audit function by reviewing the work performed by Corporate Audit Section and to re-appoint of the independent auditor of the Group.

審核委員會於截止2017年12月31日止年度曾舉行兩次會議，審閱及討論本集團的財務業績及報告、財務報表及遵守守則的程序、內部監控系統及風險管理審閱與程序、審閱內審部的工作以評估內部審計職能的有效性和續聘本集團的獨立核數師。

As the Audit Committee is also responsible for corporate governance duties, the Committee performed the following duties during the year ended 31 December 2017:

由於審核委員會亦負責企業管治之職務，截至2017年12月31日止年度，該委員會履行如下的職務：

- To note the amendments to Corporate Governance Code under Appendix 14 of the Listing Rules from time to time, in particular in the area of risk management, and to review the Group's policies and practices on corporate governance to ensure compliance
- To review and monitor the training and continuous professional development of the Directors and senior management
- 依據上市規則附錄14公司管治守則中的守則條文不時進行修正，特別是關於風險管理範疇，檢討本集團的企業管治政策及常規符合要求
- 檢討及監察董事及高級管理層的培訓及持續專業發展

- To review and monitor the policies and practices on compliance with legal and regulatory requirements
- To review and monitor the Code of Conduct applicable to employees and the Directors
- To review the compliance with the Code Provisions and disclosure in the Corporate Governance Report

- 檢討及監察遵守法律及監管規定方面的政策及常規
- 檢討及監察員工及董事的行為守則
- 檢討遵守守則條文的情況及在企業管治報告內的披露

Accountability and audit

Financial reporting

The Directors of the Company acknowledge their responsibilities to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports. The Directors have prepared the consolidated financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. When the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties will be clearly and prominently set out and discussed at length in this Corporate Governance Report.

Auditor's remuneration

The Group's independent auditor is PricewaterhouseCoopers. PwC HK is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC HK was also engaged to perform a review on the condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 as well as advise the Group on taxation and related matters.

The fees payable by the Group to the independent auditor in respect of audit and tax services provided by them for the year ended 31 December 2017 are US\$234,000 (2016: US\$197,000) and US\$25,000 (2016: US\$24,000) respectively.

Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on governance matters and should also facilitate induction and continuous training of Directors. In 2017, the Company Secretary has undertaken more than 15 hours of relevant professional training which exceeded the requirement of Rule 3.29 of the Listing Rules.

問責性及審核

財務報告

本公司董事確認，彼等有責任在年報及中期報告的綜合財務報表中提供客觀持平、清晰及簡明的評估。董事已按持續經營基準編製綜合財務報表，並於有需要時輔以假設或保留意見。倘董事知悉有重大不明朗事件或情況可能會嚴重影響本公司持續經營的能力，董事必須在企業管治報告中清楚披露及詳細討論該等不明朗因素。

核數師酬金

本集團之獨立核數師乃羅兵咸永道會計師事務所。羅兵咸永道香港負責審核及對年度綜合財務報表發出獨立意見。除對年度綜合財務報表作出法定審核外，羅兵咸永道香港亦獲聘為審閱本集團截至2017年6月30日止六個月簡明綜合中期財務資料，並就稅務法規及有關事宜提供意見。

截至2017年12月31日止年度，本集團付予獨立核數師有關審核及稅務服務之費用分別為234,000美元(2016: 197,000美元)及25,000美元(2016: 24,000美元)。

公司秘書

公司秘書負責通過董事會主席就管治事宜向董事會提出意見，並協助初始及持續之董事培訓。在2017年，公司秘書已超過上市條例第3.29條的要求，接受多於15小時相關專業培訓。

Shareholders' rights and investor relations

Shareholders' rights of the Company are at all times highly regarded by the Group. The Group will make sure the Company's shareholders know how to exercise their rights. The Group provides effective channels for the Company's shareholders to communicate their ideas to the Group and exert their rights.

Pursuant to the Company's Articles of Association, any two or more members of the Company shall also be able to convene general meetings on the written requisition deposited at the principal office of the Company in Hong Kong.

The Company amended the Memorandum and Articles of Association of the Company in order to bring the same in line with the recent amendments to the Listing Rules and Companies Law of the Cayman Island, and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in 2014.

With regard to general enquiry, a shareholder may contact the Company's Share Registrar directly. Information on proceedings at general meetings, votes of members, proxies, dividends and reserves, transfer of shares and other information are detailed in the Company's Memorandum and Articles of Association, which is accessible for inspection at the Company's Share Registrar, through website of the Group or the website of the Stock Exchange. The contact details of the Share Registrar is on page 150 of this Annual Report. In the event that a shareholder wishes to put forward a proposal to the Board, he may put forth his enquiry in writing to the Corporate Communications Section of the Group who will act on the subject matter accordingly.

Shareholders communication

The Company considers that communication with its shareholders is essential for enhancing investor relations and its shareholders' understanding of the Group's business performance and strategies. The Board adopted a Shareholders' Communication Policy, which is published on the Company website, reflecting mostly the current practices of the Company for communication with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The Board will regularly reviewed the policy and considered the effectiveness and compliance with the prevailing regulatory and other requirements.

For the year under review, the Group has taken a proactive approach to communicate with the investment community, for example, institutional investors, analysts and retail investors. For the year ended 31 December 2017, the Group conducted meetings and conference calls with investors and analysts. To enhance the Group's profile among the general public in Hong Kong, interviews were conducted with the media, and group visits to its principal office were arranged for local universities and technology institutions.

股東權利及投資者關係

本集團時刻重視本公司之股東權利，並會協助他們了解如何行使應有的權利。本集團設有有效的溝通渠道，讓本公司股東表達對本集團的意見及行使其權利。

依據本公司組織章程細則，股東大會亦可由兩位或更多成員遞交書面要求到本公司位於香港的總辦事處。

本公司已於2014年修訂組織章程大綱及細則藉以與最近上市規則及開曼群島公司法最新修訂、以及與公司條例(香港法例第622章)一致。

股東可直接聯絡本公司的股份過戶登記處，查詢一般資料。有關股東大會的程序、投票方法、委任代表、股息及儲備、股份轉讓及其他資料，已詳列於本公司的組織章程大綱及細則，組織章程大綱及細則可於本公司的股份過戶登記處、通過本集團的網站或聯交所網站查閱。股份過戶登記處的聯絡資料載於本年報第150頁。如股東欲向董事會提呈任何建議，可致函本集團的企業傳訊部，以妥善處理有關事宜。

股東通訊

本公司認為與其股東保持溝通對促進投資者關係及加強股東對本集團業績和策略的了解不可或缺。董事會採納一項反映本公司現時與股東溝通之大部分常規之股東溝通政策(該政策登載於本公司網站)。該政策旨在確保股東及有意投資者可方便和及時地獲得本公司無任何偏見及可理解之資料。董事會定期檢討該項政策，確保政策具有效力及符合現行之法規及其他規定。

於回顧年內，本集團一直採取積極態度與投資大眾(例如：機構投資者、分析員及散戶投資者)溝通。截至2017年12月31日止年度，本集團與投資者及分析員舉行了多個會議及電話會議。為提升香港公眾對本集團的認識，本集團多次接受傳媒訪問和安排本地大學及科技協會團體參觀本公司的總辦事處。

The views of investors are invaluable to the Company. To improve its communication with investors, the Company has been collecting ideas from shareholders and feedback from the investment community since listing. The Company also appreciates the opportunity to meet shareholders face-to-face. The Company's Articles of Association has accommodated the use of websites for communication with shareholders since 2009.

The Company establishes different communication channels with shareholders and investors, including (i) despatch annual reports, interim reports, notices of meetings, circulars and proxy forms which are required under the Listing Rules. Shareholders can also choose (or are deemed to have consented) to receive such documents using electronic means through the Company's website; (ii) the annual general meeting which provides a forum for shareholders to raise comments and exchange views with the Board; (iii) the Company's website which provides updated and key information on the Group and offers a communication channel between the Company and its shareholders and stakeholders; (iv) media conferences and briefing meetings with analysts to be held to update those interested parties on the performance of the Group; (v) the Company's Registrar which deals with shareholders for share registration and related matters; and (vi) the Corporate Communications Section of the Group which handles enquiries from shareholders and investors generally.

To the best of the Company's knowledge, as at 31 December 2017, Huada/CEC held about 28.5% of the Company's shares, the Board held roughly 2.4%, and the remaining approximately 69%, is believed to be in public hands.

The website of the Group (www.solomon-systech.com) is also updated constantly to inform investors and the general public of the latest information of the Group, for example, the important dates for shareholders in the coming year. Further information for shareholders can be found on pages 150 to 152 of this Annual Report.

Risk management and internal control

The Board has responsibilities for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. The risk management and internal control systems within the Group are designed to help the Group achieve key initiatives, and represent the Group's efforts in protecting its physical assets, information and technology. As maintaining an effective control system is a shared responsibility of all in the Group, the Group is dedicated to educating all employees via trainings to ensure they understand the importance of internal control policies and adhere to them.

To facilitate effective internal control system, the Group adopted the Internal Control-Integrated Framework issued by COSO (the "2013 Framework"). The presence of risk management and internal control systems empowers the Group to implement best business practices in dynamic and challenging business environments.

投資者的意見對本公司來說是非常寶貴的。為了加強與投資者的溝通，自上市以來，本公司經常收集股東的意見及了解市場資訊。本公司亦珍惜與股東面對面會晤的機會。自2009年起，本公司的組織章程細則容許運用網站與股東溝通。

本公司與股東及投資者建立不同的溝通途徑，包括：(i)按上市規則規定，寄發年報、中期報告、會議通告、通函及代表委任表格，股東亦可選擇(或被視為已同意)以電子方式透過本公司網站收取該等文件；(ii)股東可於股東週年大會上發表建議及與董事會交換意見；(iii)本公司網站載有本集團之最新及重要資訊並為股東及持份者提供與本公司溝通之途徑；(iv)本公司亦會召開新聞發佈會及投資分析員簡佈會向有關人士提供本集團最新業績資料；(v)本公司之股份登記處為股東處理一切股份登記及相關事宜；及(vi)本公司企業傳訊部處理股東及投資者之一般查詢。

據本公司所知，截至2017年12月31日止，華大／中國電子持有本公司股份約28.5%，董事會的董事持有大約2.4%本公司的股份，餘下約69%的股份，則相信是由公眾人士所持有。

本集團的網站(www.solomon-systech.com)亦會定期更新資料，向投資者和公眾人士提供本集團的最新訊息，例如股東於來年需注意的重要日期。有關股東須知的其他資料可參閱本年報第150至152頁。

風險管理及內部監控

董事會有責任維持及審閱本集團風險管理及內部監控體系之效能。本集團的風險管理及內部監控體系旨在協助本集團達致目標，致力保障其資產、資訊及科技。由於保持具效能的內部監控體系是每位集團成員共同的責任，固本集團致力從培訓以教育所有員工明白內部監控政策及對其堅持的重要性。

為促進有效的內部監控體系，本集團已採用由COSO發表的內部監控架構(「2013架構」)。現有的風險管理及內部監控體系能讓本集團在瞬息萬變及富挑戰的營商環境下實踐最佳的營商方法。

The Group implemented the “Three Lines of Defence” model as a way of explaining the relationship between functions and as a guide to how responsibilities of risk management should be divided:

- Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks;
- The second line of defence consists of activities covered by components of internal governance (compliance, financial controller, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation; and
- Internal audit forms the Group’s third line of defence. The Corporate Audit Section, through a risk-based approach to its work, provides reasonable assurance to the Group’s board of directors and senior management.

The Group takes proactive measures to identify, evaluate and manage significant risks arising from its recurrent and growth businesses and from the constantly changing business environment. The Group uses risk management matrix to determine risk level. Each risk is evaluated by the likelihood of the identified risk and the consequence of the risk event. The risk ratings reflect the required management attention and risk treatment effort. All risks are ranked and their treatment is determined by a combination of likelihood and consequence according to a risk matrix, which takes account of risk appetite. Operation units and management held regular meetings to review the progress of risk treatment actions and the effectiveness of the risk management.

The board oversees the Group’s risk management and internal control systems on an ongoing basis. The Board of Directors have reviewed the risk management framework and process, company’s strategic goals, risk appetite, the update of risk management matrix, covering risks in business, operation, finance and compliance, and the effectiveness of response actions for each risk item in the meetings held on 15 March 2017 and 22 August 2017.

The Board reviewed and assessed the effectiveness of the risk management and internal control systems for the year ended 31 December 2017, including financial, operational and compliance controls, and risk management functions, by considering:

- the changes in the nature and extent of significant risks, and the Group’s ability to respond to changes in its business and the external environment;
- the scope and quality of management’s ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function and independent auditor;

本集團實施「三層防線」模式，作為解釋各職能之間關係的一種方式，並作為風險管理責任如何分工的指南：

- 在第一道防線下，經營管理層有直接評估，控制和減輕風險的所有權，責任和問責制；
- 第二道防線由內部治理的部門活動組成(合規，財務控制，質量，IT和其他控制部門)。這層防線監測和促進經營管理層實施有效的風險管理，並協助風險所有者在組織內部充分報告風險的相關信息；及
- 內部審計是本集團的第三道防線。內審部通過基於風險的方法開展工作，為本集團的董事會和高級管理層提供合理保證。

本集團採取積極措施、識別、評估和管理其經常性和增長業務以及不斷變化的業務環境所帶來的重大風險。本集團使用風險管理矩陣以確定風險水平。每個風險由所識別的風險的可能性和風險事件的後果來評估。風險評級反映了所需的管理層關注和風險應對所需的努力。所有風險都進行排名，並會考慮風險偏好，根據可能性和後果的組合確定風險應對方式。業務單位和管理層定期召開會議以審查風險應對措施的進度以及風險管理的有效性。

董事會持續監督集團的風險管理和內部控制系統。在2017年3月15日及2017年8月22日舉行的董事會議上，董事會審查了風險管理框架和流程、公司的戰略目標、風險偏好、更新的風險管理矩陣，涵蓋業務、運營、財務和合規風險及各項風險應對措施的有效性。

截至2017年12月31日止年度，董事會已評估風險管理及內部監控的成效，包括財務、運營和合規控制以及風險管理職能，考慮如下：

- 重大風險的性質及嚴重程度的轉變、以及本集團應付其業務轉變及外在環境轉變的能力；
- 管理層持續監察風險及內部監控系統的工作範疇及素質，及內部審核和獨立審計師的工作；

- (c) the extent and frequency of communication of monitoring results to the board which enables it to assess control of the Group and the effectiveness of risk management;
- (d) significant control failings or weaknesses that have been identified during the period (if any). Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- (e) the effectiveness of the Group's processes for financial reporting and Listing Rule compliance;
- (f) The adequacy of resources, staff qualifications and experience, training program and budget of the Groups' accounting, internal audit and financial reporting functions; and
- (g) The proper handling and dissemination of inside information.

The Board also reviewed the Group's operating and financial performance against the financial budget on a quarterly basis while senior management closely monitored the financial performance on a monthly basis.

The management is committed to improve the Group's overall risk management approach and strategy. They continuously monitors the global business environment, industry development, as well as internal processes, to ensure the existing risk management and internal control systems can identify and manage risks and opportunities effectively. In 2017, the management reviewed the existing risk management and internal control systems and further modification of the system will be implemented in the coming year. The management continues to review the adequacy of its risk management and control framework and looks for opportunities to make improvements and add appropriate resources when necessary.

The Group has an independent Corporate Audit Section, reporting directly to the Audit Committee. The Corporate Audit Section provides an independent assessment of the effectiveness of the Group's risk management and internal control systems in accordance with the Code, and assists the Audit Committee to conduct regular reviews of the Group's risk management and internal control systems, which include the review of the effectiveness of financial, operational and compliance controls and risk management functions. The Corporate Audit Section follows a risk-based approach. Different audit areas are assigned with different risk ratings and an audit plan is formulated accordingly so that priority and appropriate audit frequency is given to areas with higher risks. The annual work plan is reviewed and endorsed by the Audit Committee. The Corporate Audit Section conducts regular financial and operational reviews on the Group and reports directly to the Chairman of the Audit Committee regularly. The Corporate Audit Section monitors the follow up actions agreed upon in response to its recommendations.

- (c) 向董事會傳達監控結果的詳盡程度及次數，此有助董事會評核本集團的監控情況及風險管理的有效程度；
- (d) 期內發生的重大監控失誤或發現的重大監控弱項(若有)，以及因此導致未能預見的後果或緊急情況的嚴重程度，而該等後果或情況對本集團的財務表現或情況已產生、可能已產生或將來可能會產生的重大影響；
- (e) 本集團有關財務報告及遵守《上市規則》規定的程序是否有效；
- (f) 集團之會計、內部審計和財務報告的資源，工作人員資格和經驗，培訓方案和預算是否充足；及
- (g) 妥善處理和傳播內幕消息。

董事會亦會每季以財務預算為審核本集團運作及財務表現，同時高級管理層亦會緊密監察每月的實際財務表現。

管理層致力改善本集團的整體風險管理方針及策略。他們不斷監察環球商業環境、行業發展以及內部工作程序，以確保現有的風險管理及內部監控系統能有效地識別及管理風險和機會。於2017年，管理層已檢討現有的風險管理及內部監控系統並將下年度進一步優化該系統。管理層繼續檢討風險管理和監控架構的充足程度，時刻尋找改善機會，必要時並會增加適當資源。

本集團已設立獨立的內審部，直接向審核委員會報告。內審部根據企業管治守則對本集團所有風險管理及內部監控系統作出獨立評估有關系統是否有效，並協助審核委員會進行常規的審閱本集團之風險管理及內部監控體系，包括財務、營運及法規遵從性的監控和風險管理功能之成效。內審部遵循風險為基礎之方法。對不同的審核部分劃分不同的風險評級及製定權衡風險的審核方案，對較高風險的部分適當予以較優先及較頻密之審核。年度審核計劃由審核委員會審核及批准。內審部亦會定期為本集團的財務和營運作出審閱及定期向審核委員會主席提交報告。內審部亦會對落實執行之建議作出監督。

CORPORATE GOVERNANCE REPORT (continued)

企業管治報告(續)

The Corporate Audit Section updates CEO about the internal audit working progress on a weekly basis. The Audit Committee reviews the work performed by Corporate Audit Section and summary of major findings and control weaknesses, if any, at least twice every year to ensure the effectiveness of internal audit function, risk management and internal control system.

The Group has established and published a whistleblowing policy and a system on anti-fraud for employees and third parties to raise concerns in confidence, which complied with the recommended best practice in the Code. In 2017, no incident of fraud or misconduct was reported from employees or stakeholders that had material effect on the Group's financial statements and overall operations.

The Board confirmed a review of the effectiveness of the risk management and internal control systems has been conducted and considered that the risk management and internal control systems of the Group in 2017 are effective and adequate and the Company had complied with the Code Provisions.

The Board acknowledged the responsibility to review the effective of risk management and internal controls systems of the Group. However, investors and shareholders are reminded that the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

內審部每週向行政總裁更新內審工作進度。審核委員會至少每年兩次，審閱內審部的工作並就主要之查核結果及監控弱點(如有)作出檢討以確定內部審計職能、風險管理及內部控制系統的有效性。

本集團已制定及公開有關告密政策及反欺詐行為制度，讓員工及第三方可暗中舉報，此為符合建議最佳常規。於2017年，並無員工或持份者舉報任何足以對本集團財務報表及整體業務運作構成重大影響的欺詐或失當行為。

董事會確認已對風險管理和內部控制系統的有效性進行了審查並認為在2017年度本集團的風險管理及內部監控體系是有效及充足，而本公司亦已遵守守則條文。

董事會確認有責任檢討本集團的風險管理及內部監控制度的有效性。然而，投資者和股東必須注意該等系統旨在管理而非消除未能達成業務目標的風險，而且只能就不會有重大的失實陳述或損失作出合理而非絕對的保證。

REPORT OF THE DIRECTORS

董事會報告

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 67.

The Board does not recommend the payment of a final dividend.

Donations

Charitable and other donations made by the Group during the year amounted to US\$4,000 (2016: US\$10,000).

Share Capital

The shares issued as at 31 December 2017 were 2,479,552,351. Details of the movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2017, comprising share premium reserve of US\$109,084,000 that is subject to the regulation of Section 34 of the Cayman Islands Companies Law and the Articles of Association of the Company, the equity compensation reserve of US\$17,692,000 and accumulated losses of US\$58,814,000, totaling US\$67,962,000 net are available for distribution to the Company's shareholders.

Equity Linked Agreements – Share Options Granted to Directors And Employees

Details of the share options granted in prior years and current year are set out in note 25 of the consolidated financial statements and "The Share Option Scheme" section contained in this Report of the Directors. All the share options granted during the year are with vesting conditions, there was no share issued for the year ended 31 December 2017 in respect of share options granted in 2017.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

董事謹提呈本公司及其附屬公司截至2017年12月31日止年度的經審核綜合財務報表。

主要業務及按地區分析的營運

本公司的主要業務為投資控股。附屬公司的業務載於綜合財務報表附註18。

本集團本年度按業務分部的表現分析載於綜合財務報表附註5。

業績及分派

本集團本年度的業績載於綜合損益表第67頁。

董事會不建議派付末期股息。

捐獻

本集團於年內作出的慈善及其他捐獻為4,000美元(2016: 10,000美元)。

股本

於2017年12月31日發行之股份為2,479,552,351股。本公司於本年度之股本變動詳情載於綜合財務報表附註24內。

可分派儲備

本公司於2017年12月31日的可分派儲備，包括股份溢價儲備109,084,000美元(受開曼群島公司法第34條及本公司的組織章程細則規限)，股本權益報酬儲備17,692,000美元及累計虧損58,814,000美元合共67,962,000美元淨額可供分派予本公司股東。

權益掛鉤協議 – 授予董事及員工的購股權

過往年度及本年度授出的購股權詳情載於綜合財務報表附註25及本董事會報告「購股權計劃」一節內。所有本年度授出的購股權均具歸屬條款，對於在2017年年度授出的購股權，並無於截至2017年12月31日止就此發行任何普通股。

優先購買權

本公司的組織章程細則，並無優先購買權的條文規定本公司須按比例向現有股東提呈發售新股份，而開曼群島法例亦無限制該等權利。

REPORT OF THE DIRECTORS (continued)

董事會報告(續)

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 145.

Purchase, sale or redemption of Company's listed shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2017.

Permitted Indemnity Provisions

At no time during the year and up to the date of this Annual Report were there any permitted indemnity provisions in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise).

The Share Option Scheme

The Company adopted a share option scheme (the "2013 Share Option Scheme") at the annual general meeting held on 28 May 2013. Details can be referred to note 25 to the consolidated financial statements on pages 134 to 137 of this Annual Report.

Valuation of share options

The Company uses the Black-Scholes Valuation Model and Binomial Valuation Model to value the share options granted. Details of the key parameters used in the Model and the corresponding fair values of the share options granted during the year should be referred to note 25(a) to the consolidated financial statements. The details of the share options granted to the respective parties during 2017 and 2016 are as follows:

| | | 2017 | | 2016 | |
|------------------------|-----------|---------------------|-----------|---------------------|--------------|
| | | Number | Value | Number | Value |
| | | (in thousand units) | US\$'000 | (in thousand units) | US\$'000 |
| | | 數量 | 價值 | 數量 | 價值 |
| | | (以千位計) | 千美元 | (以千位計) | 千美元 |
| Leung Heung Ying | 梁享英 | 800 | 12 | 800 | 8.4 |
| Sheu Wei Fu | 許維夫 | 800 | 12 | 800 | 8.4 |
| Yiu Tin Chong, Joseph | 姚天從 | 800 | 12 | 800 | 8.4 |
| Yeh Tsuei Chi | 葉垂奇 | - | - | 15,000 | 233.4 |
| Lo Wai Ming | 盧偉明 | - | - | 6,000 | 75.5 |
| Subtotal for Directors | 董事小計 | 2,400 | 36 | 23,400 | 334.1 |
| Senior management | 高級管理層 | - | - | 6,000 | 75.5 |
| Total | 總計 | 2,400 | 36 | 29,400 | 409.6 |

五年財務摘要

本集團截至12月31日止最近五個財政年度的業績和資產及負債摘要載於第145頁。

購買、出售或贖回本公司上市股份

截至2017年12月31日止年度內，本公司或其任何附屬公司並無購買、出售或贖回本公司上市股份。

獲准許的彌償條文

本年度內及截至本報告日止任何時間，均未有任何生效的獲准許彌償條文惠及本公司的任何董事(不論是否由本公司或其他公司訂立)。

購股權計劃

本公司於2013年5月28日舉行的股東週年大會已採納一購股權計劃(「2013購股權計劃」)，詳情可參考本年報第134至137頁的綜合財務報表附註25。

購股權價值

本公司採用畢蘇訂價模式及二項訂價模式計算已授出購股權的價值。本年度應用此模式的主要參考數據及對應該等授出的購股權之公平值詳情參見綜合財務報表附註25(a)。於2017及2016年內授予相關人士的購股權詳情如下：

Details of the share options outstanding as at 31 December 2017 under the 2013 Share Option Scheme are as follows:

於2017年12月31日關於2013購股權計劃授出之購股權的詳情如下：

| Name of Directors 董事名稱 | Number of share options (in thousand units) 購股權數目(以千位計) | | | | | Exercise price HKS 行使價 港元 | Exercise period 行使期 | | |
|--|--|--|--|--|--|------------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Held on 1 January 2017 於2017年 1月1日持有 | Granted during the year ⁽ⁱ⁾ 年內已授出 ⁽ⁱ⁾ | Exercised during the year 年內已行使 | Lapsed/ forfeited during the year 年內 已註銷/放棄 | Held on 31 December 2017 於2017年 12月31日持有 | | Grant date 授出日期 | Begins 開始 | Ends 結束 |
| Independent Non-executive Directors | | | | | | | | | |
| 獨立非執行董事 | | | | | | | | | |
| Leung Heung Ying 梁享英 | 800 | - | - | (800) | - | 0.3950 | 9 October 2014 2014年10月9日 | 2 October 2015 2015年10月2日 | 29 September 2017 2017年9月29日 |
| | 800 | - | (800) | - | - | 0.3150 | 2 October 2015 2015年10月2日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| | 800 | - | - | - | 800 | 0.3050 | 30 September 2016 2016年9月30日 | 3 October 2017 2017年10月3日 | 30 September 2019 2019年9月30日 |
| | - | 800 | - | - | 800 | 0.3700 | 9 October 2017 2017年10月9日 | 2 October 2018 2018年10月2日 | 30 September 2020 2020年9月30日 |
| | 2,400 | 800 | (800) | (800) | 1,600 | | | | |
| Sheu Wei Fu 許維夫 | 800 | - | - | (800) | - | 0.3950 | 9 October 2014 2014年10月9日 | 2 October 2015 2015年10月2日 | 29 September 2017 2017年9月29日 |
| | 800 | - | - | - | 800 | 0.3150 | 2 October 2015 2015年10月2日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| | 800 | - | - | - | 800 | 0.3050 | 30 September 2016 2016年9月30日 | 3 October 2017 2017年10月3日 | 30 September 2019 2019年9月30日 |
| | - | 800 | - | - | 800 | 0.3700 | 9 October 2017 2017年10月9日 | 2 October 2018 2018年10月2日 | 30 September 2020 2020年9月30日 |
| | 2,400 | 800 | - | (800) | 2,400 | | | | |
| Yiu Tin Chong, Joseph 姚天從 | 800 | - | - | (800) | - | 0.3950 | 9 October 2014 2014年10月9日 | 2 October 2015 2015年10月2日 | 29 September 2017 2017年9月29日 |
| | 800 | - | - | - | 800 | 0.3150 | 2 October 2015 2015年10月2日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| | 800 | - | - | - | 800 | 0.3050 | 30 September 2016 2016年9月30日 | 3 October 2017 2017年10月3日 | 30 September 2019 2019年9月30日 |
| | - | 800 | - | - | 800 | 0.3700 | 9 October 2017 2017年10月9日 | 2 October 2018 2018年10月2日 | 30 September 2020 2020年9月30日 |
| | 2,400 | 800 | - | (800) | 2,400 | | | | |
| Subtotal 小計 | 7,200 | 2,400 | (800) | (2,400) | 6,400 | | | | |

(i) The grantees have to continue to be a member of the Board from the date of grant (9 October 2017) until 30 June 2018 or the 2018 annual general meeting date, whichever is earlier. The closing price of securities immediately before the date of grant was HK\$0.355.

(i) 承受人必須從授權之日(2017年10月9日)起至2018年6月30日或2018年度股東大會日期(以較早者為準)持續為董事會成員。緊接授出日期前證券之收市價為0.355港元。

REPORT OF THE DIRECTORS (continued)

董事會報告(續)

| Name of Directors 董事名稱 | Number of share options (in thousand units) 購股權數目(以千位計) | | | | | Exercise price HKS 行使價 港元 | Exercise period 行使期 | | |
|---|--|--|--|--|--|------------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Held on 1 January 2017 於2017年 1月1日持有 | Granted during the year ⁽ⁱ⁾ 年內已授出 ⁽ⁱ⁾ | Exercised during the year 年內已行使 | Lapsed/ forfeited during the year 年內 已註銷/放棄 | Held on 31 December 2017 於2017年 12月31日持有 | | Grant date 授出日期 | Begins 開始 | Ends 結束 |
| Executive Directors 執行董事 | | | | | | | | | |
| Yeh Tsuei Chi 葉垂奇 | 2,500 | - | - | (2,500) | - | 0.3690 | 11 January 2016 2016年1月11日 | 3 April 2017 2017年4月3日 | 29 March 2019 2019年3月29日 |
| | 2,500 | - | - | (2,500) | - | 0.3690 | | 2 January 2018 2018年1月2日 | 31 December 2019 2019年12月31日 |
| | 2,500 | - | - | - | 2,500 | 0.3690 | | 2 April 2018 2018年4月2日 | 31 March 2020 2020年3月31日 |
| | 2,500 | - | - | - | 2,500 | 0.3690 | | 2 January 2019 2019年1月2日 | 31 December 2020 2020年12月31日 |
| | 2,500 | - | - | - | 2,500 | 0.3690 | | 1 April 2019 2019年4月1日 | 31 March 2021 2021年3月31日 |
| | 2,500 | - | - | - | 2,500 | 0.3690 | | 2 January 2020 2020年1月2日 | 31 December 2021 2021年12月31日 |
| | 15,000 | - | - | (5,000) | 10,000 | | | | |
| Lo Wai Ming 盧偉明 | 3,000 | - | - | - | 3,000 | 0.3050 | 30 September 2016 2016年9月30日 | 2 April 2018 2018年4月2日 | 31 March 2020 2020年3月31日 |
| | 3,000 | - | - | - | 3,000 | 0.3050 | | 1 April 2019 2019年4月1日 | 31 March 2021 2021年3月31日 |
| | 6,000 | - | - | - | 6,000 | | | | |
| Subtotal 小計 | 21,000 | - | - | (5,000) | 16,000 | | | | |
| Ex-directors 前董事 | 2,650 | - | - | (2,650) | - | 0.3950 | 9 October 2014 2014年10月9日 | 2 October 2015 2015年10月2日 | 29 September 2017 2017年9月29日 |
| | 800 | - | - | - | 800 | 0.3150 | 2 October 2015 2015年10月2日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| Subtotal 小計 | 3,450 | - | - | (2,650) | 800 | | | | |
| Senior management & others 高級管理層及其他 | 2,050 | - | - | (2,050) | - | 0.3950 | 9 October 2014 2014年10月9日 | 2 October 2015 2015年10月2日 | 29 September 2017 2017年9月29日 |
| | 1,100 | - | (150) | - | 950 | 0.3950 | 9 October 2014 2014年10月9日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| | 350 | - | - | - | 350 | 0.3090 | 30 March 2015 2015年3月30日 | 1 April 2016 2016年4月1日 | 30 March 2018 2018年3月30日 |
| | 100 | - | - | - | 100 | 0.3090 | 30 March 2015 2015年3月30日 | 3 April 2017 2017年4月3日 | 29 March 2019 2019年3月29日 |
| | 1,800 | - | (1,300) | - | 500 | 0.3150 | 2 October 2015 2015年10月2日 | 3 October 2016 2016年10月3日 | 28 September 2018 2018年9月28日 |
| | 1,000 | - | (200) | (300) | 500 | 0.3150 | 2 October 2015 2015年10月2日 | 2 October 2017 2017年10月2日 | 30 September 2019 2019年9月30日 |
| | 3,000 | - | - | - | 3,000 | 0.3050 | 30 September 2016 2016年9月30日 | 2 April 2018 2018年4月2日 | 31 March 2020 2020年3月31日 |
| | 3,000 | - | - | - | 3,000 | 0.3050 | | 1 April 2019 2019年4月1日 | 31 March 2021 2021年3月31日 |
| Subtotal 小計 | 12,400 | - | (1,650) | (2,350) | 8,400 | | | | |
| Total 總計 | 44,050 | 2,400 | (2,450) | (12,400) | 31,600 | | | | |

The Group's Environmental Policies and Performance

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live. The Group's Environmental, Social and Governance Report for 2017 will be published on the Company's website at www.solomon-systech.com.

Relationships with Employees

People are the Group's most valuable asset. The Group believes in communicating with staff and giving them training and career development opportunities. It also recognises good performance. It provides a variety of activities for staff to help them achieve a work-life balance. Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationships with Key Customers and Suppliers

The Group has maintained a good and long-term relationship with major customers and suppliers. The Group has well-established channels to encourage communication with customers to resolve any issues arising and achieve excellence in all phases of the Group's business. With regard to suppliers, through collaborating with them to manage risk and promote business ethics and integrity, the Group aims to increase our positive impact and implement further compliance in our supply chains.

Directors

Directors during the year and up to the date of this Annual Report were:

Independent Non-executive Directors

Mr. Leung Heung Ying
Mr. Sheu Wei Fu
Mr. Yiu Tin Chong, Joseph

Non-executive Directors

Mr. Li Rongxin
Dr. Li Jun
Mr. Zhao Guiwu

Executive Directors

Dr. Yeh Tsuei Chi
Mr. Lo Wai Ming

本集團的環境政策及表現

除財務表現外，本集團相信高標準之企業社會責任對建立良好企業及社會關係及激勵員工及為本集團創造可持續之回報均至為重要。本公司致力於為本公司業務經營及本公司權益人所在地區的環境及社群之可持續發展作出貢獻。本集團2017年的環境、社會及管治報告將於本公司網站www.solomon-systech.com公佈。

與僱員之關係

本集團視員工為最寶貴的資產，著重與員工的溝通，為員工提供培訓及發展的機會，並表揚出色的員工。本集團亦提供各種活動供員工參與，讓他們可以在工作和生活中取得平衡。薪酬待遇一般參考現行市場條款及個人資歷制定。薪金及工資通常會每年根據表現評估及其他相關因素檢討。

除薪金外，本集團另設有其他員工福利，包括強積金、醫療保險及與表現掛鉤之花紅。本集團亦可能會向合資格僱員授出購股權。

與主要客戶和供應商的關係

本集團與主要客戶及供應商保持良好及長期的關係。本集團設有完善的渠道，促進與客戶的溝通，以解決本集團在各業務環節出現的任何問題並力臻卓越。供應商方面，透過與他們攜手合作管理風險以及推廣商業道德和誠信，本集團致力於供應鏈層面增加正面影響及進一步推動合規。

董事

本年度內及截至本報告日期止之董事如下：

獨立非執行董事

梁享英先生
許維夫先生
姚天從先生

非執行董事

李榮信先生
李峻博士
趙貴武先生

執行董事

葉垂奇博士
盧偉明先生

REPORT OF THE DIRECTORS (continued)

董事會報告(續)

In accordance with Article 112 of the Company's Articles of Association, Mr. Yiu Tin Chong, Joseph, Mr. Zhao Guiwu and Dr. Yeh Tsuei Chi will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Messrs. Leung Heung Ying, Sheu Wei Fu and Yiu Tin Chong, Joseph are Independent Non-executive Directors of the Company and their service contracts were renewed in 2017 for a term expiring on 30 June 2018.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or its subsidiaries, was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 18 to 24 of this Annual Report.

根據本公司的組織章程細則第112條，本公司之董事姚天從先生、趙貴武先生和葉垂奇博士於即將舉行的股東週年大會上輪席退任，並符合資格及願意膺選連任。

梁享英先生、許維夫先生及姚天從先生為本公司獨立非執行董事，他們已於2017年續簽訂其服務合約，任期至2018年6月30日止。

董事的服務合約

擬於即將舉行的股東週年大會上膺選連任的董事，概無與本公司或其任何附屬公司簽訂不可於一年內免付補償(法定補償除外)而終止的服務合約。

董事於交易、安排或合約的權益

於本年底或年內任何時間，本公司或其任何附屬公司並沒有為訂約方或本公司董事於當中直接或間接擁有重大權益且涉及本集團業務的重大交易、安排或合約。

董事及高級管理層的履歷詳情

董事及高級管理層的履歷載於本年報第18至第24頁。

Directors' Interests

As at 31 December 2017, the interests and short positions of each Director and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

董事權益

於2017年12月31日，各董事及行政總裁於本公司或其相聯法團(定義見證券及期貨條例)的股份及相關股份中擁有登記於根據SFO第XV部第352條規定本公司須存置的登記名冊上，或須根據上市發行人董事進行證券交易的標準守則知會本公司及聯交所的權益及淡倉如下：

| | | Ordinary shares in the Company as at 31 December 2017 於2017年12月31日本公司普通股 | | | | % of the issued share capital of the Company 佔本公司 已發行 股本百分比 |
|--|------------------|---|--|-----------------------------|----------------------------|--|
| | Position 權益狀況 | Shares 股份 | Share Options ⁽ⁱ⁾ 購股權 ⁽ⁱ⁾ | Total 總計 | | |
| Independent Non-executive Directors | 獨立非執行董事 | | | | | |
| LEUNG Heung Ying | 梁享英 | Long 權益 | – | 1,600,000 | 1,600,000 | 0.06% |
| SHEU Wei Fu | 許維夫 | Long 權益 | – | 2,400,000 | 2,400,000 | 0.10% |
| YIU Tin Chong, Joseph | 姚天從 | Long 權益 | 2,000,000 | 2,400,000 | 4,400,000 | 0.18% |
| Non-executive Directors | 非執行董事 | | | | | |
| LI Jun | 李峻 | Long 權益 | – | – | – | – |
| LI Rongxin | 李榮信 | Long 權益 | – | – | – | – |
| ZHAO Guiwu | 趙貴武 | Long 權益 | – | – | – | – |
| Executive Directors | 執行董事 | | | | | |
| YEH Tsuei Chi | 葉垂奇 | Long 權益 | 2,212,000 ⁽ⁱⁱ⁾ | 10,000,000 ⁽ⁱⁱⁱ⁾ | 12,212,000 ^(iv) | 0.49% |
| LO Wai Ming | 盧偉明 | Long 權益 | 33,572,179 | 6,000,000 | 39,572,179 | 1.60% |

Notes:

- (i) Share options granted under the 2013 Share Option Scheme with more details on pages 46 to 48.
- (ii) Shares of the Company awarded to Dr. Yeh Tsuei Chi ("Dr. Yeh") on 12 January 2017 are subject to vesting conditions. The shares have not vested as at 31 December 2017.
- (iii) Share options of the Company granted to Dr. Yeh on 11 January 2016 are subject to vesting and accordingly, are not exercisable as at 31 December 2017 but 5,000,000 of the share options were canceled in 2017 as the conditions have not been fulfilled.
- (iv) The shares and share options are subject to an acting-in-concert agreement between Huada and Dr. Yeh. More details can be referred to under the subject "Substantial Shareholders' Interests" on page 52.

附註：

- (i) 該等購股權為根據2013購股權計劃(詳情見第46至48頁)授出之購股權。
- (ii) 於2017年1月12日授予葉垂奇博士(「葉博士」)之本公司股票附歸屬條件，該股票於2017年12月31日尚未歸屬。
- (iii) 於2016年1月11日授予葉博士之本公司購股權附歸屬條件，故此該購股權於2017年12月31日尚未歸屬但其中之5,000,000購股權於2017年因條件未達而註銷。
- (iv) 該股票及購股權與一項華大與葉博士簽訂的一致行動人協議相關，詳情可參閱第52頁之「主要股東權益」一節。

Saved as disclosed above, at no time during the year, Directors and Chief Executive Officer (including their spouse and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporation required to be disclosed pursuant to the SFO.

除上文所披露者外，於年內任何時間，董事及行政總裁(包括彼等之配偶及年齡在18歲以下的子女)概無擁有或獲授予或行使根據SFO須予披露可認購本公司及其相聯法團之股份的任何權利。

REPORT OF THE DIRECTORS (continued)

董事會報告(續)

Mr. Lo Wai Ming ("Mr. Lo"), Executive Director of the Company and a member of senior management of the Group, through investment vehicles under their control invested in BJ-LED, an associated company of the Group. Mr. Lo declared that his percentage ownership in BJ-LED as at 31 December 2017 was 11.5% (2016: 11.5%).

Saved as disclosed above, at no time during the year under review was the Company, its subsidiaries or its associated corporation a party to any arrangement to enable Directors and Chief Executive Officer of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial Shareholders' Interests

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2017, the Company had been notified of the following substantial shareholders' interests and short positions in the shares or underlying shares of the Company, being interests of 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive Officer of the Company.

本公司執行董事及本集團高級管理層成員盧偉明先生(「盧先生」)透過彼控制的投資公司投資於本集團的一家聯營公司BJ-LED。盧先生申報他於2017年12月31日擁有BJ-LED 11.5% (2016 : 11.5%)。

除上文所披露外，於回顧年度內任何時間，概無本公司、其附屬公司或其相聯法團為任何安排的其中一方，讓本公司董事及行政總裁(包括彼等之配偶及年齡在18歲以下的子女)持有本公司或其相聯法團的股份或相關股份或債權證的任何權益或淡倉。

主要股東權益

根據SFO第XV部第336條須存置的主要股東登記名冊所示，於2017年12月31日，本公司已獲知會下列主要股東的權益及淡倉(即於本公司已發行股本擁有5%或以上權益)。該等權益為上文披露的本公司董事及行政總裁權益以外的。

Ordinary shares in the Company as at 31 December 2017 於2017年12月31日本公司普通股

| Name of shareholder 股東名稱 | Capacity 身份 | Position 權益狀況 | Number of shares held 所持股份數目 | Number of share options held 所持購股權數目 | Total 總計 | % of the issued share capital of the Company 佔本公司已發行股本百分比 |
|---|---|------------------|---------------------------------|---|-------------|--|
| | | | | | | |
| Huada Semiconductor Co., Ltd 華大半導體有限公司 | Beneficial owner 實益擁有人 | Long 權益 | 706,066,000 | — | 706,066,000 | 28.50% |
| China Electronics Corporation 中國電子信息產業集團有限公司 | Interest of controlled corporation 所控制的法團的權益 | Long 權益 | 706,066,000 | — | 706,066,000 | 28.50% |

Note:

(i) Subject to an acting-in-concert agreement between Huada and Dr. Yeh as announced on 2 February 2016, Dr. Yeh is taken to be interested in 12,212,000 shares/share options of the Company (within the meaning of Part XV of the SFO), being interests under the share awards and share options granted to him, and these represent approximately 0.49% of the issued share capital in the Company as at 31 December 2017. The said shares and share options have not vested and, accordingly are not exercisable as at 31 December 2017. Upon the full vesting and exercise of these shares and share options, Dr. Yeh and Huada will together hold an aggregate of 718,278,000 shares of the Company, representing approximately 29.0% of the then issued share capital of the Company (on the assumption that no further shares will be issued or repurchased by the Company).

附註：

(i) 依據2016年2月2日一項華大與葉博士簽訂的一致行動人協議，葉博士按證券及期貨條例第XV部被視為擁有本公司12,212,000股股份／購股權，均為頒授予彼之獎勵股份及購股權，於2017年12月31日約佔本公司已發行股本0.49%。該項頒授予彼之獎勵股份及購股權尚未歸屬並因此於2017年12月31日未能行使。於該項頒授予彼之獎勵股份及購股權全數歸屬及行使時，葉博士及華大兩方合共持有718,278,000股本公司股份，約佔本公司當時已發行股本29.0% (假設本公司再無發行新股及無購回股份)。

Saved as disclosed above, as at 31 December 2017, no other persons (other than the Directors) were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares and underlying shares of the Company.

除上文所披露者外，於2017年12月31日，根據SFO第336條本公司須予備存的登記冊所記錄，概無其他人士(董事除外)擁有本公司股份及相關股份的權益或淡倉。

Management Contracts

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

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

| | | |
|-----------------------------------|----------|-----|
| Purchases | 採購 | |
| – the largest supplier | –最大供應商 | 30% |
| – five largest suppliers combined | –五大供應商合計 | 80% |
| Sales | 銷售 | |
| – the largest customer | –最大客戶 | 13% |
| – five largest customers combined | –五大客戶合計 | 42% |

Saved as disclosed above, none of the Directors of the Company, their associates or any shareholder (who to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the major suppliers or customers noted above.

Discloseable Transactions

Except as disclosed under the following heading "Related parties and connected transactions", the Company did not conduct any transaction which constituted a discloseable transaction under the Listing Rules during the year.

Please refer to the announcement of the Company dated 20 November 2017.

Related Parties and Connected Transactions

During the year ended 31 December 2017, the Group entered into certain transactions with related parties as defined under the applicable accounting standards, which include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with. Details of the related party and connected transactions are disclosed in note 33 to the consolidated financial statements. The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

管理合約

年內概無簽訂或現存有關於本公司全部或任何主要部分業務的管理及行政的合約。

主要供應商及客戶

本集團主要供應商及客戶應佔本年度的採購及銷售百分比如下：

除上文所披露者外，概無本公司之董事、其聯繫人或任何股東(就董事所知擁有本公司股本5%以上者)於上述主要供應商或客戶中擁有權益。

須予披露交易

除下文「關聯方及關連交易」所披露外，本公司於年內概無進行構成上市規則項下須予披露之交易。

請參閱本公司日期為2017年11月20日之公告。

關聯方及關連交易

截至2017年12月31日止年度內，本集團曾與適用會計準則界定為關聯方進行若干交易，當中包括構成關連／持續關連交易並已遵守上市規則披露規定的交易。關聯方及關連交易摘要載於綜合財務報表附註33。按照上市規則第14A章的披露規定，若干關連方(按上市規則定義)與本集團進行的下列交易經已訂立及／或持續進行，而本公司已根據上市規則的規定作出相關公佈(如需要)。

Connected transactions

Beijing Huada Emphyrean Software Co., Ltd. ("HES"), an indirect subsidiary of CEC – in connection with the renewal of the grant of the License to the Group pursuant to the license renewal agreements signed on 20 November 2017 for a two years' term from 30 October 2017 to 29 October 2019. Details of which and other continued connected transactions may refer to the Company's announcements dated 20 November 2017, 11 December 2017 and 29 December 2017.

Continuing connected transactions

- (a) Panda-LCD, an associate of CEC – the sales of products by the Group to Panda-LCD, renewed continuing connected transactions for years 2018 to 2020 as approved by the shareholders at the Extraordinary General Meeting held on 29 December 2017 to replace the old contract covering the period from 2015 to 2017 at similar terms. The annual caps were adjusted accordingly to reflect the current transaction volume with the connected party.
- (b) Panda-FPD, an associate of CEC – the sales of products by the Group to Panda-FPD, a continuing connected transactions for years 2018 to 2020 as approved by the shareholders at the Extraordinary General Meeting held on 29 December 2017.
- (c) On 16 February 2017, the Group entered into an agreement with CEACI under which CEACI would purchase IC and driver products from the Group for the year ended 31 December 2017. The annual cap was set at US\$3.3 million which constituted a continuing connected transaction. Based on the cap, these continuing connected transactions would be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. In early October 2017, the management became aware the actual transaction amount exceeded the cap to a marginal extent due to a sudden increase in business volume and failure to report the increased transactions in a timely manner. The transactions with CEACI were immediately ceased. On 20 November 2017, the Group renewed the agreement with CEACI and revised the cap for 2017 to US\$5 million with independent shareholders' approval in December. According to this incidence, the Group did not comply with Listing Rule 14A.54(1) in a timely manner and remedial measures were subsequently implemented to avoid the occurrence of similar events in the future to the satisfaction of the management and the Independent Board of Directors.

關連交易

北京華大九天軟件有限公司(「華大九天」)，乃CEC的間接附屬公司—有關本集團依據於2017年11月20日簽訂之軟件銷售合同獲授予的軟件使用權續期，由2017年10月30日至2019年10月29日為期兩年。有關詳情及其他持續關連交易可參閱於2017年11月20日、2017年12月11日及2017年12月29日之公告。

持續關連交易

- (a) 熊貓液晶，為CEC的聯繫人—本集團銷售產品予熊貓液晶，乃一更新之持續關連交易，涵蓋2018年至2020年間，並於2017年12月29日之股東特別大會上獲股東批准，以類似條款替代2015年至2017年的舊合同。年度上限相應調整以反映當前與關聯方的交易量。
- (b) 熊貓平板顯示，為CEC的聯繫人—本集團銷售產品予熊貓平板顯示，乃一涵蓋2018年至2020年間之持續關連交易，並於2017年12月29日之股東特別大會上獲股東批准。
- (c) 於2017年2月16日，本集團與CEACI訂立協議，據此CEACI將於截至2017年12月31日止年度向本集團採購IC及驅動器產品。該年度上限定為330萬美元，故構成持續關連交易。根據該上限，該等持續關連交易須遵守上市規則第14A項的申報、公告及年度審閱規定。於2017年10月初，管理層知悉由於業務量突然增加致實際交易金額輕微超出上限及未能及時匯報所增加的交易。與CEACI的交易被立即停止。於2017年11月20日，本集團重續與CEACI之協議，並於12月獲獨立股東批准修訂2017年上限為500萬美元。據此，本集團未能及時遵守上市規則第14A.54(1)項，隨後採取了補救措施以避免日後發生類似事件以令管理層及獨立董事委員會董事信納。

The aforesaid connected transactions and continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into are (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (d) within the annual cap.

The Independent Non-executive Directors of the Company, together with the Group's Corporate Audit Section and Audit Committee, have conducted annual reviews of the continuing connected transactions of the Group for the year ended 31 December 2017, and saved as disclosed in (c) above, were satisfied that the Group's continuing connected transactions during 2017 have complied with the Listing Rules requirement in all respects.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed for the year ended 31 December 2017 in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at 13 March 2018.

上述關連交易及持續關連交易已由本公司獨立非執行董事審閱。獨立非執行董事確認上述關連交易是(a)在本集團的一般及通常業務過程中訂立的；(b)以正常商業條款或以不遜於本集團從獨立第三方可得或獲取的條款訂立；(c)根據管制有關協議且為公平和合理並符合本公司股東整體利益的條款訂立；以及(d)於年度上限之下。

本公司獨立非執行董事已經聯同集團的企業審核部和審核委員會對截至2017年12月31日止年度的持續關連交易作年度審閱，除上文(c)所披露以外，滿意本集團在2017年度內的持續關連交易於各方面均符合上市規則的要求。

根據香港會計師公會發佈的香港鑒證業務準則3000號(經修訂)「歷史財務資料審核或審閱以外的鑒證工作」並參考實務說明740號「香港上市規則規定的持續關連交易的核數師函件」，本公司之獨立核數師已受聘對本集團持續關連交易作出報告。根據上市規則第14A.56條，核數師已就截至2017年12月31日止年度的持續關連交易，發出無保留意見的函件，並載有其發現和結論。本公司已將核數師函件副本向聯交所提供。

充足的公眾持股量

根據本公司可循公開途徑獲得的資料及據董事所知，已確認於2018年3月13日，本公司超過25%的已發行股份由公眾人士持有，故公眾持股量充足。

REPORT OF THE DIRECTORS (continued)

董事會報告(續)

Principal Risks and Uncertainties

Sustained losses over the previous years might be a liquidity risk to the Company's going concern position. Principal uncertainty remains on the achievement of business plans and the outcome of new projects and products launched in the market. Based on the financial projections for the next three years, the risk on going concern is still remote and the uncertainty of revenue growth is manageable.

Compliance with the Corporate Governance Code

For the year ended 31 December 2017, the Company has complied with all the applicable Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("Appendix 14"). To maintain high standards of corporate governance, the Company has adopted the recommended best practices in Appendix 14 where appropriate.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has its own written guidelines on securities transactions by Directors and relevant employees on no less exacting terms than the required standard set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have been in compliance with such guidelines during the year ended 31 December 2017.

Compliance with Laws and Regulations

To the best knowledge of the Directors, for the year ended 31 December 2017, the Group has complied, in all material respects, with the relevant laws and regulations that have significant impact on the operations of the Group.

Business Review

The business review disclosure of the Group for the year as required by Schedule 5 to the new Companies Ordinance are set out on pages 11 to 17 of this Annual Report. The business review forms part of this Report of the Directors.

主要風險和不確定性

過去幾年的持續虧損可能會對本公司的持續經營狀況造成流動性風險。業務計劃的實現以及市場上推出的新項目和產品的結果仍然存在主要不確定性。根據未來三年的財務預測，持續經營風險仍然遙遠，而收益增長的不確定性可受控。

遵守企業管治守則

截至2017年12月31日止年度內，本公司一直遵守上市規則附錄14所載之企業管治守則(「附錄14」)中所有適用的守則條文。為維持高水平的企業管治標準，公司已採納附錄14中適當的建議最佳常規守則。

遵守上市公司董事進行證券交易之標準守則

本公司亦就董事及有關員工進行的證券交易制訂其本身的書面指引，條款與上市規則附錄10所載的規定標準同樣嚴格。本公司已向全體董事作出具體查詢，於截至2017年12月31日止年度內，彼等均一直遵守該等指引。

遵守法律及法規

據董事所知悉，截至2017年12月31日止年度，本集團已在所有重大方面遵守對本集團營運構成重大影響之法律及法規。

業務回顧

新《公司條例》附表5規定的本集團本年度的之業務回顧披露載於本年報第11至第17頁。該業務回顧為本董事會報告的組成部分。

Independent Auditor

The consolidated financial statements for the year ended 31 December 2017 and the preceding 3 years have been audited by PwC HK who retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

獨立核數師

截至2017年12月31日止年度及之前3年的綜合財務報表已由羅兵咸永道香港審核。羅兵咸永道香港將於即將舉行之股東週年大會中退任，並符合資格及願意應聘連任。

On behalf of the Board
代表董事會



LI Rongxin 李榮信
Chairman 主席

Hong Kong, 13 March 2018
香港·2018年3月13日



羅兵咸永道

TO THE SHAREHOLDERS OF SOLOMON SYSTECH (INTERNATIONAL) LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Solomon Systech (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 144, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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致 Solomon Systech (International) Limited 股東

(於開曼群島註冊成立的有限公司)

意見

我們已審計的內容

Solomon Systech (International) Limited(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)列載於第66至144頁的綜合財務報表，包括：

- 於2017年12月31日的綜合資產負債表；
- 截至該日止年度的綜合損益表；
- 截至該日止年度的綜合全面收入報表；
- 截至該日止年度的綜合權益變動表；
- 截至該日止年度的綜合現金流量表；及
- 綜合財務報表附註，包括主要會計政策概要。

我們的意見

我們認為，該等綜合財務報表已根據香港會計師公會頒布的《香港財務報告準則》真實而中肯地反映了 貴集團於2017年12月31日的綜合財務狀況及其截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》的披露規定妥為擬備。

意見的基礎

我們已根據香港會計師公會頒布的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。

我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於 貴集團，並已履行守則中的其他專業道德責任。

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INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters

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

Key audit matters identified in our audit are summarized as follows:

- Provision for obsolete or slow moving inventories

Key Audit Matter

How our audit addressed the Key Audit Matter

Provision for obsolete or slow moving inventories

Refer to note 21 "Inventories" and note 4 "Critical accounting estimates and judgements" to the consolidated financial statements

At 31 December 2017, the Group held net inventories of US\$20,527,000 and the provision for obsolete or slow moving inventories was US\$7,935,000. Inventories are stated at the lower of cost and net realizable value in the consolidated financial statements.

Management assessed the provision at each period end on an item-by-item basis for obsolete or slow moving inventories based on consideration of obsolescence of raw materials and work in progress, and the net realizable value of finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgement and estimates, including their nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technology development.

We focused on this area due to the significance of the balance, significant management estimates and judgements involved in determining the provision for impairment of obsolete or slow moving inventories.

We focused on evaluating the assumptions applied by management on using the historical sales pattern, the potential sales orders and the expected life cycle of similar products.

We understood and tested the controls by which management identified obsolescence and determined the net realizable value of inventories.

We tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items and tested the inventory aging. In addition, we discussed with management about the latest sales pattern for both price and quantity for potential orders, and other factors, including the technology change and the market trend.

We have further corroborated management's explanations with market analysis, inventory aging and sales order pattern.

We found that management's judgements and estimates in relation to inventory provision were supported by available evidences.

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項概述如下：

- 過時或滯銷存貨減值

| 關鍵審計事項 | 我們的審計如何處理關鍵審計事項 |
|--|--|
| <p>過時或滯銷存貨減值</p> <p>請參照綜合財務報表附註21「存貨」及附註4的「關鍵會計估算及判斷」</p> <p>於2017年12月31日，本集團持有存貨淨額20,527,000美元。過時或滯銷存貨的撥備為7,935,000美元。存貨於綜合財務報表中以成本及可變現淨值兩者中較低者列報。</p> <p>管理層根據原材料及在製品的過時情況及成品的可變現淨值，於各期末逐項評估過時或滯銷存貨的撥備。識別存貨的過時情況及估計扣除銷售成本後的售價須運用重大判斷及估算，包括其性質、庫齡、最新銷售價格及預期未來銷售訂單。其估算也受到市場趨勢、客戶需求及技術發展的不確定性影響。</p> <p>我們專注於此範疇乃基於存貨餘額的重大性、釐定過時或滯銷存貨撥備時採用的重大管理層估算及判斷。</p> | <p>我們專注於評估管理層採用過往銷售模式、潛在銷售訂單及相類產品的預期生命週期的假設。</p> <p>我們了解並測試了管理層於識別存貨的過時情況及確定可變現淨值的監控措施。</p> <p>我們用抽樣方式對所選存貨項目的估計銷售價格與年後銷售數據進行了比較，並對存貨庫齡進行了測試。此外，我們與管理層討論了最新銷售模式下的潛在訂單價格及數量以及其他因素，包括技術變化及市場趨勢。</p> <p>我們進一步以市場分析、存貨庫齡和銷售訂單模式印證了管理層的解釋。</p> <p>我們發現管理層對存貨撥備的判斷和估算是具有證據支持的。</p> |

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Those Charged With Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

獨立核數師報告(續)

其他信息

貴公司董事須對其他信息負責。其他信息包括年報內的所有信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及治理層就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒布的《香港財務報告準則》及香港《公司條例》的披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會須負責監督 貴集團的財務報告過程。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅向 閣下(作為整體)報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Cecilia, Lai Ting Yau.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 March 2018

獨立核數師報告(續)

核數師就審計綜合財務報表承擔的責任(續)

- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對 貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是邱麗婷。

羅兵咸永道會計師事務所

執業會計師

香港，2018年3月13日

CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表

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CONSOLIDATED INCOME STATEMENT

綜合損益表

For the year ended 31 December 2017

截至2017年12月31日止年度

| | | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|----------------------------|------|-------------------------|-------------------------|
| | | 附註 | | |
| Sales | 銷售額 | 5 | 82,464 | 68,408 |
| Cost of sales | 銷售成本 | 6 | (53,148) | (44,878) |
| Gross profit | 毛利 | | 29,316 | 23,530 |
| Research and development costs | 研究及開發成本 | 6 | (34,530) | (21,089) |
| Selling and distribution expenses | 銷售及分銷開支 | 6 | (3,265) | (3,164) |
| Administrative expenses | 行政開支 | 6 | (11,910) | (11,738) |
| Other income – net | 其他收入 – 淨額 | 7 | 6,127 | 1,457 |
| | | | (14,262) | (11,004) |
| Finance income – net | 投資收入 – 淨額 | 8 | 3,938 | 3,683 |
| | | | (10,324) | (7,321) |
| Share of results of associated companies | 應佔聯營公司盈虧 | 17 | 22 | (59) |
| Loss before income tax | 除稅前虧損 | | (10,302) | (7,380) |
| Income tax (expense)/credit | 所得稅(支出)/收入 | 11 | (19) | 451 |
| Loss for the year | 本年度虧損 | | (10,321) | (6,929) |
| Loss for the year attributable to: | 本年度應佔虧損： | | | |
| – Equity holders of the Company | – 本公司權益持有人 | | (10,233) | (6,929) |
| – Non-controlling interests | – 非控股權益 | | (88) | – |
| | | | (10,321) | (6,929) |
| Loss per share attributable to the equity holders of the Company: (expressed in US cent per share) | 本公司權益持有人應佔的每股虧損：(以美仙，每股呈列) | 12 | | |
| – Basic | – 基本 | | (0.41) | (0.28) |
| – Diluted | – 攤薄 | | (0.41) | (0.28) |

The notes on pages 72 to 144 form an integral part of these consolidated financial statements.

第72至144頁的附註為該等綜合財務報表的組成部份。

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收入報表

For the year ended 31 December 2017

截至2017年12月31日止年度

| | | 2017 | 2016 |
|--|----------------|----------|----------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Loss for the year | 本年度虧損 | (10,321) | (6,929) |
| Other comprehensive loss for the year: | 本年度其他全面虧損： | | |
| Item that may be reclassified to profit or loss | 可能會重新分類至損益表的項目 | | |
| – Currency translation differences | – 外幣換算差額 | (88) | (631) |
| Total comprehensive loss for the year | 本年度全面虧損總額 | (10,409) | (7,560) |
| Total comprehensive loss for the year attributable to: | 本年度應佔全面虧損總額： | | |
| – Equity holders of the Company | – 本公司權益持有人 | (10,324) | (7,560) |
| – Non-controlling interests | – 非控股權益 | (85) | – |
| | | (10,409) | (7,560) |

The notes on pages 72 to 144 form an integral part of these consolidated financial statements.

第72至144頁的附註為該等綜合財務報表的組成部份。

CONSOLIDATED BALANCE SHEET

綜合資產負債表

As at 31 December 2017

於2017年12月31日

| | Note 附註 | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|------------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 14 | 19,841 | 16,740 |
| Property, plant and equipment | 15 | 5,084 | 3,223 |
| Investments in associated companies | 17 | 515 | 493 |
| Available-for-sale financial assets | 19 | 2,206 | 2,206 |
| Prepayments and deposits | 22 | 180 | 661 |
| Financial assets at fair value through profit or loss | 23 | 788 | — |
| | | 28,614 | 23,323 |
| Current assets | | | |
| Inventories | 21 | 20,527 | 13,053 |
| Trade and other receivables | 22 | 21,231 | 17,514 |
| Financial assets at fair value through profit or loss | 23 | 22,370 | 36,985 |
| Pledged bank deposits | | 130 | 130 |
| Fixed bank deposits | 20 | — | 727 |
| Cash and cash equivalents | 20 | 23,347 | 23,830 |
| | | 87,605 | 92,239 |
| Total assets | | 116,219 | 115,562 |
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | 24 | 31,958 | 31,926 |
| Reserves | 26 | 59,188 | 69,073 |
| | | 91,146 | 100,999 |
| Non-controlling interests | | 662 | — |
| Total equity | | 91,808 | 100,999 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank loan | 29 | 207 | 107 |
| Deferred income tax liability | 27 | 366 | — |
| | | 573 | 107 |
| Current liabilities | | | |
| Trade and other payables | 28 | 23,332 | 13,759 |
| Bank loan | 29 | 92 | 86 |
| Deferred income | | 271 | 522 |
| Income tax | | 143 | 89 |
| | | 23,838 | 14,456 |
| Total liabilities | | 24,411 | 14,563 |
| Total equity and liabilities | | 116,219 | 115,562 |

The notes on pages 72 to 144 form an integral part of these consolidated financial statements.
第72至144頁的附註為該等綜合財務報表的組成部份。

On behalf of the Board
代表董事會



YE H Tsuei Chi 葉垂奇
Chief Executive Officer 行政總裁



LO Wai Ming 盧偉明
Director 董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31 December 2017

截至2017年12月31日止年度

| | | Attributable to equity holders of the Company 本公司權益持有人應佔 | | | | | | | | | |
|---|---------------|---|--|---|---|--|--|---|--------------------------------|---|--|
| | | Share capital 股本 US\$'000 千美元 | Share premium 股份溢價 US\$'000 千美元 | Merger reserve 合併儲備 US\$'000 千美元 | Exchange reserve 匯兌儲備 US\$'000 千美元 | Equity compensation | Other reserve 其他儲備 US\$'000 千美元 | Accumulated losses 累計虧損 US\$'000 千美元 | Total 總計 US\$'000 千美元 | Non-controlling interests 非控股權益 US\$'000 千美元 | Total equity 總權益 US\$'000 千美元 |
| | | | | | | reserve 股本權益 報酬儲備 US\$'000 千美元 | | | | | |
| At 1 January 2016 | 於2016年1月1日 | 31,926 | 83,400 | 2,082 | 419 | 17,246 | 230 | (26,821) | 108,482 | - | 108,482 |
| Comprehensive loss | 全面虧損 | | | | | | | | | | |
| Loss for the year | 年內虧損 | - | - | - | - | - | - | (6,929) | (6,929) | - | (6,929) |
| Item that may be re-classified to profit or loss | 可能會重新分類至損益的項目 | | | | | | | | | | |
| - Currency translation differences | - 外幣換算差額 | - | - | - | (631) | - | - | - | (631) | - | (631) |
| Total comprehensive loss | 全面虧損總計 | - | - | - | (631) | - | - | (6,929) | (7,560) | - | (7,560) |
| Transactions with owners | 股東交易 | | | | | | | | | | |
| Equity compensation | 股本權益報酬 | - | - | - | - | 77 | - | - | 77 | - | 77 |
| Total transactions with owners | 股東交易總計 | - | - | - | - | 77 | - | - | 77 | - | 77 |
| At 31 December 2016 | 於2016年12月31日 | 31,926 | 83,400 | 2,082 | (212) | 17,323 | 230 | (33,750) | 100,999 | - | 100,999 |
| At 1 January 2017 | 於2017年1月1日 | 31,926 | 83,400 | 2,082 | (212) | 17,323 | 230 | (33,750) | 100,999 | - | 100,999 |
| Comprehensive loss | 全面虧損 | | | | | | | | | | |
| Loss for the year | 年內虧損 | - | - | - | - | - | - | (10,233) | (10,233) | (88) | (10,321) |
| Item that may be re-classified to profit or loss | 可能會重新分類至損益的項目 | | | | | | | | | | |
| - Currency translation differences | - 外幣換算差額 | - | - | - | (91) | - | - | - | (91) | 3 | (88) |
| Total comprehensive loss | 全面虧損總計 | - | - | - | (91) | - | - | (10,233) | (10,324) | (85) | (10,409) |
| Transactions with owners | 股東交易 | | | | | | | | | | |
| Exercise of share options | 行使購股權 | 32 | 70 | - | - | - | - | - | 102 | - | 102 |
| Equity compensation | 股本權益報酬 | - | - | - | - | 369 | - | - | 369 | - | 369 |
| Non-controlling interests arising on business combination | 業務合併產生的非控股權益 | - | - | - | - | - | - | - | - | 747 | 747 |
| Total transactions with owners | 股東交易總計 | 32 | 70 | - | - | 369 | - | - | 471 | 747 | 1,218 |
| At 31 December 2017 | 於2017年12月31日 | 31,958 | 83,470 | 2,082 | (303) | 17,692 | 230 | (43,983) | 91,146 | 662 | 91,808 |

The notes on pages 72 to 144 form an integral part of these consolidated financial statements.

第72至144頁的附註為此等綜合財務報表的組成部份。

CONSOLIDATED CASH FLOW STATEMENT

綜合現金流量表

For the year ended 31 December 2017

截至2017年12月31日止年度

| | Note | 2017 | 2016 |
|--|------------------------------|-----------------|-----------------|
| | 附註 | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Operating activities | 經營活動 | | |
| Cash used in operations | 31(a) | (10,219) | (13,155) |
| Overseas income tax paid | | (62) | (2) |
| Interest paid on the bank loan | | (4) | (4) |
| Net cash used in operating activities | 經營活動使用的現金淨額 | (10,285) | (13,161) |
| Investing activities | 投資活動 | | |
| Purchases of intangible assets | 14 | (2,500) | (17,000) |
| Purchases of property, plant and equipment | 15 | (3,017) | (526) |
| Acquisition of a subsidiary, net of cash acquired | 16 | (3,967) | – |
| Proceeds from disposal of intangible assets and property, plant and equipment | 31(b) | 103 | 3 |
| Decrease in financial assets at fair value through profit or loss | | 17,482 | 26,537 |
| Decrease in fixed bank deposits | | 727 | 8,938 |
| Interest received | | 814 | 2,468 |
| Dividend received | | 347 | 845 |
| Net cash generated from investing activities | 投資活動產生的現金淨額 | 9,989 | 21,265 |
| Financing activities | 融資活動 | | |
| Repayment of bank loan | | (67) | (77) |
| Proceeds from exercise of share options | | 102 | – |
| Net cash generated from/(used in) financing activities | 融資活動產生/(使用的) 現金淨額 | 35 | (77) |
| Net (decrease)/increase in cash and cash equivalents | | (261) | 8,027 |
| Exchange loss on cash and cash equivalents | | (222) | (631) |
| Cash and cash equivalents at 1 January | 於1月1日的現金及 現金等價物 | 23,830 | 16,434 |
| Cash and cash equivalents at 31 December | 於12月31日的現金及 現金等價物 | 23,347 | 23,830 |
| Analysis of balances of cash and cash equivalents: | 現金及現金等價物的 結餘分析: | | |
| – Bank balances and cash | – 銀行結餘及現金 | 23,347 | 23,830 |

The notes on pages 72 to 144 form an integral part of these consolidated financial statements.

第72至144頁的附註為該等綜合財務報表的組成部份。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

1. General information

Solomon Systech (International) Limited and its subsidiaries are fabless semiconductor companies specializing in the design, development and sales of proprietary integrated circuits products and system solutions that enable a wide range of display applications for smartphones, tablets, smart TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

The Company was incorporated in the Cayman Islands on 21 November 2003 as an exempted company with limited liability under Cap.22, the Cayman Islands Companies Law (Law 3 of 1961, as consolidated and revised). The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and the address of its principal office in Hong Kong is 6/F., No. 3 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

The Company has been listed on the main board of The Stock Exchange of Hong Kong Limited since 8 April 2004.

These consolidated financial statements are presented in US dollars, unless otherwise stated.

1. 一般資料

Solomon Systech (International) Limited 及其附屬公司為無晶圓廠半導體公司，專門設計、開發及銷售專有集成電路晶片產品及系統解決方案，能廣泛應用於各類智能手機、平板電腦、智能電視／顯示器、筆記本電腦及其他智能產品，包括可穿戴式產品、醫療保健產品、智能家居產品及工業用設備等。

本公司於2003年11月21日根據開曼群島公司法(1961年法律3，經綜合及修訂)第22章在開曼群島註冊成立為一間獲豁免有限公司。本公司註冊辦事處的地址為P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001，開曼群島，而其香港總辦事處的地址為香港新界沙田香港科學園科技大道東3號6樓。

本公司自2004年4月8日起，在香港聯合交易所有限公司主板上市。

除另有列明外，此等綜合財務報表以美元作呈列單位。

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and derivative financial instruments.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. 主要會計政策概要

編製本綜合財務報表時採用的主要會計政策載於下文。除另有列明外，此等政策已貫徹應用於所有呈報年度。

2.1 編製基準

本公司綜合財務報表已按照所有適用的香港會計師公會頒佈的香港財務報告準則以及香港公司條例第622章編製。綜合財務報表乃根據歷史成本常規編製，並按重估通過損益以反映公平價值的財務資產及衍生金融工具作出調整。

編製符合香港財務報告準則的綜合財務報表須採用若干關鍵會計估算，亦須管理層在應用本集團會計政策的過程中作出判斷。涉及較多判斷或較複雜程度的範疇、或假設及估算對綜合財務報表屬重要的範疇，乃於附註4中披露。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments to standards effective in 2017

The Group has adopted the following amendments to standards that have been issued and are effective for the Group's financial year commencing on 1 January 2017.

| | |
|--|--|
| • HKAS 7 (Amendment) 香港會計準則第7號(修正) | Statement of Cash Flows – Disclosure Initiative 現金流量表 – 披露計畫 |
| • HKAS 12 (Amendment) 香港會計準則第12號(修正) | Recognition of Deferred Tax Assets for Unrealized Losses 未變現虧損之遞延所得稅資產的確認 |
| • HKFRS 12 (Amendment) 香港財務報告準則第12號(修正) | Disclosure of Interest in Other Entities 於其他實體權益之披露 |

The adoption of the above amendments to standards did not result in substantial changes to the accounting policies of the Group and had no material impact on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

There are no other new, revised standards, amendments to standards and interpretations to existing standards that are effective for the first time for this year that could be expected to have a material impact on the Group.

2. 主要會計政策概要(續)

2.1 編製基準(續)

(a) 於2017年生效的新準則及修正準則

本集團已採納下列於2017年1月1日開始的本集團財政年度已頒佈及生效之新準則及修正準則：

採納上列修正準則對本集團之會計政策並無重大改變，亦沒有對現有和前期的業績及財務狀況編製和呈報構成重大影響。

沒有任何其他於年內首次生效的新準則、修訂準則、修正準則和對現有準則之詮釋預期會對本集團構成重大影響。

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017

The following new standards, amendments to standards and interpretations have been issued, but not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after 開始於或之後的 年度期間生效 |
|---|--|---|
| HKAS 28 (Amendment) 香港會計準則第28號(修正) | Investments in Associates and Joint Ventures 在聯營和合營企業的投資 | 1 January 2019 2019年1月1日 |
| HKFRS 1 (Amendment) 香港財務報告準則第1號(修正) | First Time Adoption of HKFRS 首次採納香港財務報告準則 | 1 January 2018 2018年1月1日 |
| HKFRS 4 (Amendment) 香港財務報告準則第4號(修正) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts 針對香港財務報告準則第4號保險合同 實施香港財務報告準則第9號金融工具 | 1 January 2018 2018年1月1日 |
| HKFRS 2 (Amendment) 香港財務報告準則第2號(修正) | Classification and Measurement of Share-based Payment Transactions 以股份為基礎付款之交易的分類及計量 | 1 January 2018 2018年1月1日 |
| HKFRS 9 香港財務報告準則第9號 | Financial Instruments 金融工具 | 1 January 2018 2018年1月1日 |
| HKFRS 10 and HKAS 28 (Amendment) 香港財務報告準則第10號及 香港會計準則第28號(修正) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 投資者與其聯營或合營企業之間的資產 出售或注資 | To be determined 待定 |

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋

下列新準則、修正準則及解釋已頒佈，但於2017年1月1日開始的財政年度尚未生效，且本集團並無提前採納：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋(續)

| | | Effective for annual periods beginning on or after 開始於或之後的 年度期間生效 |
|-------------------------------------|--|--|
| HKFRS 15 香港財務報告準則第15號 | Revenue from Contracts with Customers 源自與客戶訂定合約之收入 | 1 January 2018 2018年1月1日 |
| HKFRS 16 香港財務報告準則第16號 | Leases 租賃 | 1 January 2019 2019年1月1日 |
| HKFRS 17 香港財務報告準則第17號 | Insurance Contracts 保險合同 | 1 January 2021 2021年1月1日 |
| HKFRSs (Amendment) 香港財務報告準則(修正) | Annual Improvement to HKFRSs 2015-2017 cycle 2015-2017年週期有關香港財務報告準則 年度改進 | 1 January 2019 2019年1月1日 |
| HK (IFRIC) 22 香港(國際財務報告解釋公告)第22號 | Foreign Currency Transactions and Advance Consideration 外幣交易和預付/預收對價 | 1 January 2018 2018年1月1日 |
| HK (IFRIC) 23 香港(國際財務報告解釋公告)第23號 | Uncertainty over Income Tax Treatments 所得稅不確定性事項的處理 | 1 January 2019 2019年1月1日 |

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

HKFRS 9 “Financial Instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group’s financial assets currently measured at amortized cost or fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Group’s equity investments currently classified as available-for-sale will be reclassified to financial assets at fair value through profit or loss.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋(續)

香港財務報告準則第9號「金融工具」

該新準則針對金融資產及金融負債的分類、計量及終止確認，並引入對沖會計法的新規定及金融資產的新減值模型。

本集團已審閱其財務資產及負債，並預期於二零一八年一月一日採納新準則將造成以下影響：

本集團已評估其目前按攤銷成本及按公平價值計入損益計量之財務資產將於採納香港財務報告準則第9號後繼續沿用其各自之分類及計量。本集團股權投資目前歸類為可供出售，並將會重新歸類為以公允價值計量且其變動計入損益的金融資產。

由於新規定只影響以公允價值計量且其變動計入損益的金融負債的會計處理，且本集團並無任何該等負債，因此本集團金融負債的會計處理不會受影響。終止確認規則由香港會計準則第39號金融工具：確認及計量轉入，並無更改。

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

HKFRS 9 “Financial Instruments” (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 ‘Revenue from Contracts with Customers’, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material changes to the impairment provision for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The impacts on the Group’s financial results and position upon the adoption of HKFRS 9 are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2018.

2. 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋 (續)

香港財務報告準則第9號「金融工具」(續)

新減值模式要求根據預期信用損失而非只根據香港會計準則第39號要求的已產生信用損失確認減值撥備。該模式適用於按攤銷成本分類的金融資產、按公允價值計量且其變動計入其他全面收入的債務工具、香港財務報告準則第15號源自與客戶訂定合約之收入下的合約資產、租賃應收款項、貸款承擔及若干金融擔保合約。根據至今所進行的評估，本集團預期本集團應收賬款的虧損撥備不會有重大變動。

新準則亦引入經擴展的披露規定及呈列變動。預期將改變本集團有關其金融工具的披露性質和範圍，尤其是於新準則採納年度。

採納香港財務報告準則第9號預期不會對本集團的財務業績及狀況產生重大影響。預期本集團將不會於截至二零一八年十二月三十一日止財政年度前應用新準則。

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

HKFRS 15 “Revenue from Contracts with Customers”

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition: (1) Identify the contract(s) with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to each performance obligation; and (5) Recognize revenue when each performance obligation is satisfied.

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group had assessed the impact of adopting HKFRS 15 on the Group’s consolidated financial statements, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, and considered the new guidance does not significantly affect the timing of the Group’s revenue recognition.

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋(續)

香港財務報告準則第15號「源自與客戶訂定合約之收入」該新準則設立單一收益確認框架。框架的主要原則為實體應確認收益，以說明實體按反映交換商品及服務預期所得代價的金額向客戶轉讓所承諾商品或服務。香港財務報告準則第15號取代現有收益確認指引，包括香港會計準則第18號「收益」、香港會計準則第11號「建築合約」及相關詮釋。

香港財務報告準則第15號規定確認收益所應用的五個步驟：(1)識別與客戶所訂立的合約；(2)識別合約的履約責任；(3)釐定交易價格；(4)分配交易價格至各履約責任；及(5)於履行各履約責任時確認收益。

香港財務報告準則第15號包括對與可能改變目前根據香港財務報告準則採取的方式的特定收益相關事宜的特定指引。該準則亦顯著加強有關收益的定性及定量披露。

該準則允許在採納時採用全面追溯法或修改追溯法。本集團已評估應用香港財務報告準則第15號對本集團綜合財務報表的影響，方式為識別與客戶所訂立合約的獨立履約責任及分配交易價格，並認為新指引不會對本集團收入確認時產生重大影響。

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

HKFRS 16 “Leases”

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

The standard will affect primarily the accounting for Group’s operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of US\$1,357,000. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortized cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋(續)

香港財務報告準則第16號「租賃」

香港財務報告準則第16號就租賃的會計處理訂明新條文，且日後不再容許承租人於資產負債表外將若干租賃入賬。取而代之，所有長期租賃必須以資產(就使用權而言)及租賃負債(就付款責任而言)形式於資產負債表確認。租期為十二個月或以下的短期租賃及低價資產租賃獲豁免有關報告責任。因此，新準則將致使須於資產負債表確認使用權資產及租賃負債增加。於收益表，租金支出將以折舊及利息開支代替。預期本集團不會於截至二零一九年十二月三十一日止財政年度前應用新準則。

此準則會主要影響本集團經營租賃的會計處理。截至二零一七年十二月三十一日，本集團的不可撤銷經營租賃承擔為1,357,000美元。在採納香港財務報告準則第16號後，大部分經營租賃承擔將於綜合財務狀況表內確認為租賃負債及使用權資產。租賃負債其後將按攤銷成本計量，而使用權資產將以直線法於租期內折舊。

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that are issued but effective for periods commencing after 1 January 2017 (continued)

Other than HKFRS 9 “Financial Instruments”, HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 16 “Leases”, there are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. 主要會計政策概要(續)

2.1 編製基準(續)

(b) 已頒佈但於2017年1月1日年度開始後生效的新準則、修正準則及解釋(續)

除香港財務報告準則第9號「金融工具」、香港財務報告準則第15號「源自與客戶訂定合約之收入」及香港財務報告準則第16號「租賃」外，並無其他準則及解釋尚未生效而預期將於本期間或未來報告期間對本集團或可預見的未來交易產生重大影響。

2.2 綜合賬目

綜合財務報表包括本公司及其所有附屬公司所編製截至12月31日止的財務報表。

(a) 附屬公司

附屬公司指本集團對其具有控制權的所有主體(包括結構性主體)。當本集團因為參與該主體而承擔可變回報的風險或享有可變回報的權益，並有能力透過其對該主體的權力影響此等回報時，本集團即控制該主體。附屬公司在控制權轉移至本集團之日起併入賬。附屬公司在控制權終止之日起停止併入賬。

集團內公司之間的交易、交易的結餘及收支予以對銷。來自集團內公司間交易產生的利潤和損失(確認於資產)亦予以對銷。附屬公司的會計政策已按需要作出調整，以確保與本集團採用的政策一致。

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. 主要會計政策概要(續)

2.2 綜合賬目(續)

(a) 附屬公司(續)

本集團利用購買法將業務合併入賬。購買的對價為所轉讓之資產、對被收購方的前所有人產生的負債及本集團發行股本的公平值。所轉讓的對價包括從或然對價安排所產生之任何資產和負債的公平值。在業務合併中所購買可辨認的資產以及所承擔的負債及或有負債，首先以彼等於購買日期的公平值計量。

本集團按個別收購基準，確認為被購買方的任何非控制性權益。被購買方的非控制性權益為現時的擁有權權益，並賦予持有人一旦清盤時按比例應佔主體的淨資產，可按公平值或按現時擁有權權益應佔被收購方可識別淨資產的確認金額比例而計量。非控制性權益的所有其他組成部分按收購日期的公平值計量，除非香港財務報告準則規定必須以其他計量基準計算。

如業務合併分階段進行，收購方之前在被收購方持有的權益按收購日期的公平值在綜合損益表中重新計量。

本集團將轉讓的任何或有對價按收購日期的公平值計量。被視為資產或負債的或有對價公平值的其後變動，根據香港會計準則第39號的規定，在綜合損益表中或作為其他綜合收益的變動確認。分類為權益的或有對價不重新計量，其之後的結算在權益中入賬。

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.6(a)).

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. 主要會計政策概要(續)

2.2 綜合賬目(續)

(a) 附屬公司(續)

所轉讓對價、被收購方的任何非控制性權益金額，及任何先前於被收購方之股本權益在收購日期的公平值超過所收購可辨識淨資產之公平值，其差額以商譽列賬。如在議價購入之情況下，所轉讓對價、已確認的任何非控制性權益及之前持有的權益計量之總和低於所收購附屬公司淨資產的公平值，則其差額直接在綜合損益表中確認(附註2.6(a))。

不構成喪失控制權之與非控制性權益進行的交易視為權益交易(即持有者以持有者身份進行的交易)。所支付的任何作價與相關應佔所收購附屬公司淨資產賬面值的差額記錄為權益。出售非控制性權益的盈虧亦記錄在權益中。

當集團不再持有控制權，在主體的任何保留權益重新計量至於喪失控制權當日之公平值，賬面值的變動在綜合損益表中確認。就其後入賬列作聯營公司、合營企業或金融資產之保留權益，其公平值為初始賬面值。此外，之前在其他全面收入中確認的與該實體有關之任何金額，按猶如本集團已直接處置相關資產和負債之方式入賬。這可能意味著之前在其他全面收入中確認的金額被重新分類至綜合損益表。

附屬公司投資按成本扣除減值列賬。成本亦包括投資的直接成本。

如股息超過附屬公司宣派股息期內之全面收益總額，或如在獨立財務報表的投資帳面值超過合併財務報表中被投資公司淨資產(包括商譽)的帳面值，則必須對附屬公司投資作減值測試。

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associated companies equal or exceed its interest in the associated companies, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

Dilution gains or losses arising in investments in associated companies are recognised in the consolidated income statement.

2. 主要會計政策概要(續)

2.2 綜合賬目(續)

(b) 聯營公司

聯營公司指本集團對其有重大影響力而無控制權的實體，通常附帶20%至50%投票權的持股量。於聯營公司之投資使用權益會計法入賬。根據權益會計法，投資初始按成本確認，並增加或減少賬面值以確認投資者於收購日後應佔被投資公司之盈虧。本集團於聯營公司之投資包括收購時已識別的商譽。在購買聯營企業的投資時，購買成本與本集團應佔聯營企業可辨認資產和負債的公平值淨額的差額確認為商譽。

本集團應佔其聯營公司收購後的盈虧將於綜合損益表內確認。而本集團應佔收購後其他全面收入之變動則會於其他全面收入內確認。並對於投資賬面值作出相應調整。當本集團應佔聯營公司的虧損等於或超過其於聯營公司的權益(包括任何其他無抵押應收款)時，本集團不會進一步確認虧損，除非本集團已代聯營公司承擔法律或推定性的責任或已代聯營公司付款者。

於聯營公司的投資所攤薄產生盈虧於綜合損益表內確認。

2. Summary of significant accounting policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and senior management led by the Group Chief Executive Officer who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognised in the consolidated income statement and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2. 主要會計政策概要(續)

2.3 分部呈報

營運分部的呈報方式與最高營運決策層提供的內部報告一致。本集團最高營運決策層為制定策略決策的集團行政總裁領導下的執行董事及高級管理層，負責分配資源及評估營運分部的業績。

2.4 外幣換算

(a) 功能及呈報貨幣

載於本集團各實體財務報表內的項目均採用該實體經營業務所在的主要經濟環境的貨幣(「功能貨幣」)計算。綜合財務報表以美元呈報，美元為本公司的功能及呈報貨幣。

(b) 交易及結餘

外幣交易均採用交易當日或項目重新計量的估值日期的匯率換算為功能貨幣。因該等交易的結算及以外幣為單位的貨幣資產及負債按年終的匯率換算所產生的匯兌盈虧，均於綜合損益表內確認。

所有其他匯兌盈虧於綜合損益表中呈列。

以外幣為單位被分類為可供出售的貨幣性證券的公平值變動，按照證券的攤銷成本變動與該證券賬面值的其他變動所產生的匯兌差額進行分析。與攤銷成本變動有關的匯兌差額於綜合損益表內確認，賬面值的其他變動則於其他全面收入中確認。

非貨幣性財務資產及負債，如通過損益以反映公平價值的權益的換算差額呈報為公平值盈虧的一部分。非貨幣性項目，例如被分類為可供出售的財務資產的權益的換算差額包括在其他全面收入內。

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. 主要會計政策概要(續)

2.4 外幣換算(續)

(c) 集團公司

能貨幣與呈報貨幣不同的所有集團實體(該等實體均無嚴重通脹經濟下的貨幣)的業績及財務狀況,均按下列方式換算為呈報貨幣:

- (i) 各資產負債表呈列的資產及負債,均按該資產負債表的結算日的收市匯率換算;
- (ii) 各損益表的收支按平均匯率換算(除非該平均匯率未能合理反映各交易日的匯率所帶來的累積影響,在此情況下,則按照交易日的匯率換算該等收支);及
- (iii) 所產生的所有匯兌差額均於其他全面收入內確認。

因收購海外實體而產生的商譽及公平值調整,均視作該海外實體的資產及負債,並按收市匯率換算。所產生的所有匯兌差額於其他全面收入內確認。

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives using the following depreciation rates:

| | | |
|---|----------------|---|
| Freehold land | 永久業權土地 | Not amortized 不予攤銷 |
| Building | 樓宇 | 2% |
| Leasehold improvements | 租賃物業裝修 | 20% or over the unexpired lease period, whichever is shorter 20% 或按未屆滿租期(以較短者為準) |
| Furniture, fixtures, licenses and equipment | 傢具、固定裝置、特許證及設備 | 33.33% |
| Machinery and laboratory equipment | 機器及實驗室設備 | 12.50% to 33.33% |
| Motor vehicles | 汽車 | 33.33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2. 主要會計政策概要(續)

2.5 物業、廠房及設備

所有物業、廠房及設備均按歷史成本減去折舊及減值虧損列賬。歷史成本包括收購有關項目而直接應佔的開支。

其後所產生的成本僅會在與項目有關的未來經濟利益很有可能流入本集團，且該項目的成本能可靠計量時，計入資產賬面值或確認為一項獨立資產(視何者適用而定)。已被更換部分的賬面值從賬目中剔除。所有其他維修及保養均於該費用產生的財政期內於綜合損益表支銷。

物業、廠房及設備的折舊均採用直線法，將其成本與其剩餘價值差額，以下列之折舊率於其估計可使用期內攤銷，有關詳情列載如下：

資產的剩餘價值及可使用年期於各結算日予以審閱及恰當地作出調整。

若資產的賬面值高於其估計可收回價值，其賬面值即時撇減至可收回金額(附註2.7)。

出售盈虧按所得款與賬面值的差額釐定，並在綜合損益表內確認。

2. Summary of significant accounting policies (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patents and intellectual property

Patents and intellectual property are shown at historical cost. Patents and intellectual property have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents and intellectual property over their estimated useful lives of no more than eight years.

2. 主要會計政策概要(續)

2.6 無形資產

(a) 商譽

商譽產生自收購附屬公司，並相當於所轉讓對價，被收購方的非控制性權益金額以及享有的被收購方過往的權益在收購日的公平值超過本集團獲得的被收購方的可辨認淨資產公平值的數額。

就減值測試而言，在業務合併中購入的商譽會分配至每個現金產出單元或現金產出單元組(預期可從合併中獲取協同利益)。商譽被分配的每個單元或單元組指在主體內商譽被監控作內部管理用途的最底層次。商譽在經營分部層次進行監控。

對商譽的減值檢討每年進行，或如事件或情況轉變顯示可能存在減值，則更頻密地檢討。商譽賬面值與可收回數額(使用價值與公平值減出售成本較高者)比較。任何減值須即時確認及不得在之後期間回撥。

(b) 專利及知識產權

專利及知識產權是按歷史成本呈列。專利及知識產權有固定的可使用年期，並按成本減累計攤銷列賬。攤銷的計算是採用直線法，估計專利及知識產權使用不多於為八年之年期，以作成本分攤。

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at balance sheet date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

FVTPL and other financial assets are financial assets designated by management as fair value through profit or loss upon initial recognition. Financial assets are classified in this category because they are managed and their performance are evaluated on a fair value basis, in accordance with the Group's investment strategy. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled in 12 months, otherwise, they are classified as non-current.

2. 主要會計政策概要(續)

2.7 非財務資產的減值

沒有確定使用年期之資產無需攤銷，但需要每年就減值進行測試。當有事件出現或情況改變顯示資產賬面值可能無法收回時，就必須為資產進行減值檢討。減值虧損按資產賬面值高於其可收回金額之差額確認。可收回金額以資產之公平值扣除銷售成本或使用價值兩者之間較高者為準。於評估減值時，資產按可分開識別現金流量(現金產生單位)的最低層次進行組合。除商譽外，已蒙受減值的非財務資產在每個報告日期均就減值是否可以回撥進行檢討。

2.8 財務資產

(a) 分類

本集團的財務資產分為以下類別：通過損益以反映公平價值、貸款及應收款和可供出售。分類乃視乎購入有關財務資產的目的而釐定。管理層會於初始確認時釐定財務資產的類別。

(i) 通過損益以反映公平價值的財務資產

FVTPL及其他財務資產指初始時管理層定為通過損益以反映公平價值的財務資產。該財務資產以此項分類乃基於其管理及表現符合集團投資策略以公平值作基準。衍生工具除被指定為作對沖用途之外，均視為作買賣用途。本類別之資產，若預期在12個月內結算，被界定為流動資產，否則分類為非流動資產。

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include trade and other receivables, cash and cash equivalents and fixed deposits in the consolidated balance sheet (notes 2.12 and 2.13).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. FVTPL are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and FVTPL are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

2. 主要會計政策概要(續)

2.8 財務資產(續)

(a) 分類(續)

(ii) 貸款及應收款

貸款及應收款為固定或可釐定付款、且在活躍市場並無報價的非衍生財務資產。此等項目包括在流動資產內，惟到期日為結算日後超過十二個月者，則為非流動資產。於綜合資產負債表中貸款及應收款包括應收款及其他應收款、現金及現金等價物和定期存款(附註2.12及2.13)。

(iii) 可供出售財務資產

可供出售財務資產為被指定為此類別或並無歸入任何其他類別的非衍生工具。除非管理層計劃在結算日後十二個月內出售有關投資，否則列為非流動資產。

(b) 確認及計量

定期買賣的財務資產於交易日確認，交易日即本集團承諾買賣資產的日期。對於並非通過損益以反映其公平價值的所有財務資產，投資初始按公平值加交易成本確認。FVTPL初始按公平值確認，其交易成本於綜合損益表支銷。當從投資所收取現金流量的權利已到期或已轉讓，且本集團已將所有權的全部風險及回報實際轉讓，則終止確認財務資產。可供出售的財務資產和FVTPL其後均按公平值列賬。貸款及應收款均以實際利率法按攤銷成本列賬。

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(b) Recognition and measurement (continued)

Dividend income and gains or losses arising from changes in the fair value of the FVTPL category are presented in the consolidated income statement as “finance income – net” when the Group’s right to receive payments is established in the year in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “finance income – net”.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of “finance income – net”. Dividends on available-for-sale financial assets are recognised in the consolidated income statement as “finance income – net” when the Group’s right to receive payments is established.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not publicly traded in market but with active valuation from reputable financial institution (for example, structured products linked to equity price) is determined by reference to the dealer’s quote or input from reputable financial institutions.

2. 主要會計政策概要(續)

2.8 財務資產(續)

(b) 確認及計量(續)

股息收入及來自FVTPL類別的公平值變動所產生的盈虧，當本集團確定收取有關款項的權利時，列入產生期間綜合損益表內的「投資收入－淨額」中。

貨幣證券及分類為可供出售的非貨幣證券的公平值變動於其他全面收入確認。

當分類為可供出售的證券售出或減值時，在權益中確認的累計公平值調整列入綜合損益表內作為「投資收入－淨額」。

可供出售的財務資產的利息是按實際利率法計算，於綜合損益表內確認為「投資收入－淨額」其中之一。當集團收取有關款項的權利確定時，可供出售財務資產的股息將於綜合損益表作為「投資收入－淨額」確認。

可於活躍市場交易的金融工具(如：公開交易的衍生產品)，其公平值是基於結算日的市場報價。本集團所持有的財務資產的市場報價是當時的買價；恰當的財務負債的市場報價是當時的賣價。

不在市場公開交易的金融工具，但能於有信譽的金融機構提供活躍估值(如：與證券掛鉤的結構性產品)，其公平值的釐定是恰當參考發行商的報價或有信譽的金融機構的資料。

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(b) Recognition and measurement (continued)

Available-for-sale financial assets that do not have quoted market prices in any active markets and those fair values cannot be reliably measured are stated at cost less impairment loss.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indication that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in note 2.12.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. 主要會計政策概要(續)

2.8 財務資產(續)

(b) 確認及計量(續)

沒有任何活躍市場報價之可供出售財務資產其公平值未能可靠地估算者，以成本扣除減值虧損呈列。

本集團於各結算日評估是否有客觀證據顯示有單項或一組財務資產出現減值。就歸類為可供出售的財務資產的權益證券而言，若證券的公平值大幅或長期下跌至低於其成本值，會被視為證券已經顯示減值。倘若可供出售財務資產存在任何此等證據，累計虧損（按收購成本與當時公平值之間的差額，減有關財務資產以往已於綜合損益表內確認的任何減值虧損計算）會自權益中剔除及於綜合損益表內確認。於綜合損益表就股本工具確認的減值虧損不會在綜合損益表內撥回。應收款的減值測試在附註2.12中說明。

2.9 抵銷金融工具

當有法定可執行權力可抵銷已確認金額，並有意圖按淨額基準結算或同時變現資產和結算負債時，金融資產與負債可互相抵銷，並在資產負債表報告其淨額。法定可執行權利必須不得依賴未來事件而定，而在一般業務過程中以及倘公司或對手方一旦出現違約、無償債能力或破產時，這也必須具有約束力。

2. Summary of significant accounting policies (continued)

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and subcontracting charges. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the provision account of trade receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

2. 主要會計政策概要(續)

2.10 衍生金融工具

衍生金融工具初始按簽訂合約日的公平值確認，其後再按其公平值重新計量。

不適用對沖交易會計法的衍生金融工具的公平值變動，將立即於綜合損益表中確認。

2.11 存貨

存貨按成本及可變現淨值兩者中較低者列賬。成本採用加權平均法釐定。製成品及在製品的成本包括原材料及分包費用。可變現淨值指於日常業務過程中的估計售價，減適用的變動銷售開支。

2.12 應收款及其他應收款

應收款及其他應收款初始按公平值確認，其後採用實際利率法按攤銷成本減去減值撥備計量。倘有客觀證據顯示本集團將不能根據應收款的原訂條款收回全部到期款項，則會為該等應收款及其他應收款設定減值撥備。債務人出現重大財務困難、債務人可能破產或進行財務重組，以及沒有履行償還欠款，均被視為是應收款減值的跡象。撥備金額為資產賬面值與估計未來現金流量按原實際利率貼現之現值的差額。資產賬面值的扣減是透過使用撥備削減，其虧損於綜合損益表中內入賬確認。如一項應收款無法收回，其會予應收款內的備付賬戶撇銷。之前已撇銷的款項如其後收回，將撥回綜合損益表中。

2. Summary of significant accounting policies (continued)**2.13 Cash and cash equivalents**

In the consolidated cash flow statement, cash and cash equivalents include cash at bank and in hand, deposits held at call with banks and fixed deposits with original maturity within 3 months or less. The cash and cash equivalents meet the definition of loans and receivables and are measured at amortized cost using the effective interest method.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in the equity attributable to the Company's equity holders.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. 主要會計政策概要(續)**2.13 現金及現金等價物**

在綜合現金流量表中，現金及現金等價物包括銀行存款及手頭現金、銀行可贖回的定期存款和少於三個月或以內到期的定期存款。現金及現金等價物符合貸款及應收款定義，並以實際利率法攤銷成本計量。

2.14 股本

普通股乃列作權益。發行新股份或購股權應佔的直接邊際成本於所得款項扣除後列入權益入賬。

如任何本集團之公司購入本公司的權益股本(庫存股份)，所支付的代價，包括任何直接應佔的邊際成本(扣除所得稅)，於本公司權益持有人應佔的權益中扣除，直至股份被註銷或重新發行為止。如股份其後被重新發行，任何已收取的代價，扣除任何直接應佔的邊際交易成本及相關的所得稅影響，應包括在本公司權益持有人的應佔權益內。

2.15 本期和遞延所得稅

本年度的所得稅包括於綜合損益表中確認的本期和遞延稅項。稅項在利潤表中確認，但與其他綜合收益中或直接在權益中確認的項目有關者則除外。在該情況下，稅項亦分別在其他綜合收益或直接在權益中確認。本期所得稅依據本公司及其附屬公司營運和產生應課稅收入之國家於結算日已頒佈或實質頒佈的稅務法例計算。管理層就適用稅務法例詮釋所規限的情況定期評估報稅表的狀況，並在適用情況下根據預期須向稅務機關支付的稅款設定撥備。

2. Summary of significant accounting policies (continued)

2.15 Current and deferred income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group operates defined contribution plans, under which the Group pays fixed contributions into separate entities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares or share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares or share options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of shares or share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

2. 主要會計政策概要(續)

2.15 本期和遞延所得稅(續)

遞延所得稅採用負債法就資產及負債的稅基與其在綜合財務報表中的賬面值之差額產生的暫時差額全數撥備。然而，若遞延所得稅來自在交易(不包括企業合併)中對資產或負債的初始確認，而在交易進行時並無對會計損益或應課稅盈虧造成影響，則毋須為該遞延所得稅入賬。遞延所得稅採用於結算日已頒佈或實質上已頒佈，且預期於有關遞延所得稅資產變現或遞延所得稅負債獲清償時適用的稅率(及法例)予以釐定。

遞延所得稅資產是就很可能有未來應課稅溢利而就此可使用暫時差額作出確認。

遞延所得稅就於附屬公司投資產生的暫時差額作出撥備，惟在本集團可控制暫時差額的撥回時間及暫時差額在可預見將來很有可能不會撥回的情況下則除外。

2.16 僱員福利

(a) 退休金責任

本集團現參與界定為退休金供款計劃，據此，本集團向獨立實體支付定額供款。若該基金並無持有足夠資產向所有僱員就其在當期及以往期間的服務支付福利，本集團亦無法定或推定責任支付進一步供款。

(b) 以股份為基礎的補償

本集團設有一項以權益償付、以股份為基礎的補償計劃。僱員提供服務而獲授予股份或購股權的公平值乃確認為開支。於歸屬期內列作開支的總金額乃參照已授出的股份或購股權的公平值釐定，不包括任何非市場歸屬條件(例如盈利能力及銷售增長目標)的影響。非市場歸屬條件包括在關於預期股份或購股權歸屬數目的假設中。於各結算日，本集團修改其預期可行使股份和購股權數目，並於綜合損益表內確認修改原來估計數字(如有)的影響，以及在餘下歸屬期對權益作出相應調整。

2. Summary of significant accounting policies (continued)

2.16 Employee benefits (continued)

(b) Share-based compensation (continued)

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share options are exercised.

The Company adopted share option schemes under which share options may be granted to subscribe for the Company's shares. Please refer to note 25(a).

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick/injury leave and maternity/paternity leave are not recognised until the time of leave.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for profit-sharing bonus based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2. 主要會計政策概要(續)

2.16 僱員福利(續)

(b) 以股份為基礎的補償(續)

於購股權獲行使時，已收取的所得款項(扣除任何直接應佔交易成本)均計入股本(面值)及股份溢價中。

本公司採納購股權計劃，據此，購股權可予授出以認購本公司股份。有關購股權計劃的詳情可參閱附註25(a)。

(c) 僱員應享假期

僱員應享年假在僱員享有時確認。本集團為截至結算日僱員已提供服務而享有年假的估計負債作出撥備。

僱員應享病／受傷假及分娩／待產假期於僱員正式休假時才予確認。

(d) 分享溢利及花紅計劃

本集團根據一項計算公式，就花紅及分享溢利確認負債及費用。該公式參考本公司股東的應佔溢利作出若干調整。本集團依合約或過往慣例產生推定性的責任時確認撥備。

2.17 撥備

在出現以下情況時，就重組費用及法律索償作出撥備：本集團因過去事件承擔現有法律或推定性的責任，而清償有關責任需導致資源流出的可能性極高，以及有關金額已被可靠估計。惟不會就未來營運虧損確認撥備。

倘出現多項類似責任，清償有關責任導致資源流出的可能性乃經考慮整體責任類別後予以釐定。即使就同類責任中任何一個項目相關的資源流出的可能性甚低，仍須確認撥備。

撥備採用稅前利率按照預期需償付有關責任的開支的現值計量，該利率反映當時市場對貨幣時間值和有關責任特定風險的評估。隨著時間過去而增加的撥備確認為利息開支。

2. Summary of significant accounting policies (continued)

2.18 Trade payables and other payables

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of products in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

The Group manufactures and sells proprietary IC products and system solutions. Sales of products are recognised on the transfer of risks and rewards of ownerships, which generally coincides with the time of shipment/delivery.

(b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) Other income – net

Other income is recognised when the Group's right to receive payments is established.

2. 主要會計政策概要(續)

2.18 應付款及其他應付款

應付款及其他應付款初始以公平值確認，其後採用實際利率法按攤銷成本計量。

2.19 收入確認

收入指本集團在日常經營活動中銷售產品的已收款或應收款的公平值。收入在扣除折扣及對銷本集團內部銷售後以淨值列賬。當收入的金額能夠可靠計量，未來經濟利益很有可能流入有關實體，本集團每項營運活動均符合具體準則時(如下文所述)，本集團確認收入。本集團會根據其往業績並考慮客戶類別、交易種類和每項安排的特點作出估計。

(a) 產品銷售

本集團生產及銷售專有IC產品及系統解決方案。產品銷售於擁有權的風險及回報轉讓時予以確認，一般與裝運／付運時間同時發生。

(b) 利息收入

利息收入採用實際利率法，按時間分攤基準確認。倘若應收款出現減值，本集團則會將賬面值減至可收回金額，即估計的未來現金流量按該工具之原實際利率貼現值，並繼續將貼現計算並確認為利息收入。

(c) 其他收入－淨額

其他收入是當本集團被確定為有權收取款項時確認。

2. Summary of significant accounting policies (continued)

2.20 Leases (as the lessee)

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- (i) Prepayments made under operating lease are amortized to the consolidated income statement on a straight-line basis over the period of the lease, or when there is impairment, the impairment is expensed in the consolidated income statement.
- (ii) Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance lease payment is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2. 主要會計政策概要(續)

2.20 租賃(作為承租人)

(a) 經營租賃

擁有權的大部分風險及回報權利由出租人保留的租賃乃列為經營租賃。

- (i) 根據經營租賃所支付的預付款項會按直線法於租期內在綜合損益表內列作開支。當有需要作出減值撥備時，減值差額於綜合損益表支銷。
- (ii) 根據經營租賃所支付的款項(扣除來自出租人的任何收入)會按直線法於租期內在綜合損益表內列作開支。

(b) 融資租賃

本集團有物業、機器及設備租賃。由本集團承擔擁有權的大部分風險及回報的物業、機器及設備租賃乃列為融資租賃。融資租賃乃於租賃開始時按租賃物業的公平值與最低租金現值兩者中較低者資本化。

每筆租金均會於負債與財務費用之間分配，以達到尚未支付融資餘額的固定比率。相應的租金責任(扣除融資費用)乃計入其他短期及其他長期應付款。融資成本的利息部分會於有關租期內在綜合損益表中確認，並藉此制訂各期間負債餘額的固定定期利率。從融資租賃而獲得的物業、機器及設備乃按使用期及租賃期兩者中較短者作折舊計算。

2. Summary of significant accounting policies (continued)

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.22 Research and development

Research expenditure is expensed as incurred. Development costs include cost in product engineering and development. Costs incurred on development projects (relating to the design and testing of new products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised as an intangible asset are amortized from the commencement of the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

Development assets are tested for impairment annually in accordance with HKAS 36 – Impairment of Assets.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors.

2. 主要會計政策概要(續)

2.21 政府補貼

倘可合理保證將獲得補貼及本集團符合所有附帶條件，則按公平值確認政府補貼。

政府補貼之有關成本予以遞延，並配合其計劃補償的成本支銷期間在綜合損益表內確認。

2.22 研究及開發

研發開支乃於產生時支銷。開發成本包含產品工程及開發類。產生於項目開發的開支(於設計及測試新的產品相關)被確認為無形資產，需符合以下準則：

- 技術上可完成的無形資產，能供使用或出售；
- 管理層計劃完成的無形資產並作使用或出售；
- 能供使用或出售的無形資產；
- 能證明極有可能於未來產生經濟效益的無形資產；
- 能以合適的技術、財政及其他資源完成開發，從而能供使用或出售；及
- 歸屬於無形資產開發時的開支能被可靠的計量。

其他研發開支於產生時支銷。以往確認為開支的研發成本於往後期間不會確認為資產。已資本化且可使用年期有限的研發成本於有關產品投入商業使用時，按直線法於其預期利益期間(不超過五年)攤銷。

研發資產需每年根據香港會計準則第36號—資產減值作減值測試。

2.23 股息分派

分派予公司股東的股息會於本公司股東或董事批准派發股息的期間內於本集團財務報表中確認為負債。

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HKD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Part of the FVTPL are in foreign currencies.

Since the HKD is pegged to USD, the management considered that the Group does not have any material foreign exchange exposure in this regard.

(ii) Price risk

The Group is exposed to price risk because certain investments held by the Group are classified on the consolidated balance sheet as FVTPL. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity financial instruments, the Group diversifies its portfolio and invests only in high turnover blue chips with good dividend yield and equity funds.

At 31 December 2017, the Group held listed equity securities, marketable bonds and funds (note 23). If the equity/bond/fund price had increased/decreased by 10% with all other variables held constant, the post-tax loss for the year would have been approximately US\$2,237,000 (2016: US\$3,699,000) lower/higher as a result of gain/loss on listed equity securities, marketable bonds and funds classified as at fair value through profit or loss.

The investments in the available-for-sale financial assets are exposed to price risk. As all of the available-for-sale financial assets held by the Group do not have quoted market price in any active market and are stated at cost less impairment loss. The price risk has therefore been reflected in the impairment loss.

3. 財務風險管理

3.1 財務風險因素

本集團因其業務須承受各種不同的財務風險：市場風險(包括外匯風險和價格風險)、信貸風險、流動資金風險和現金流量及公平值利率風險。

(a) 市場風險

(i) 外匯風險

本集團經營跨國業務，承受各類貨幣所產生的外匯風險，其風險主要來自港元。外匯風險因日後進行的商業交易，已確認海外業務的資產和負債而產生。部分FVTPL亦以外幣為單位。

因港元與美元掛鈎，管理層認為本集團外匯風險不高。

(ii) 價格風險

本集團承受價格風險，因為本集團持有於綜合資產負債表中之分類為FVTPL的投資。本集團並沒有商品價格之風險。本集團處理投資於股本金融工具上所產生之價格風險是透過分散不同的投資組合及投資於高流量和高息率的藍籌證券以及股票基金。

於2017年12月31日，本集團持有上市股票、可買賣債券及基金(附註23)。如股票/債券/基金價格上升/下降10%(其他變數保持不變)，年內其除稅後虧損約會減少/增加2,237,000美元(2016: 3,699,000美元)，由分類為通過損益以反映公平價值的上市股票、可買賣債券及基金的收益/損失所導致。

本集團的可供出售財務資產有價格風險。因本集團持有的全部可供出售財務資產均沒有任何活躍市場報價，並以成本扣除減值虧損呈列。因此價格風險已於減值虧損中反映。

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Customers of the Group are mainly well-known distributors and manufacturers with sound financial background. In addition, the Group has policies in place to ensure that sales of products are made to customers with appropriate credit days and within their respective credit limits.

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Deposits are only placed with reputable banks and financial institutions. For credit exposures to customers, Group management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade and other receivables. The Group has been monitoring the receivables aging closely. As at 31 December 2017, past due amount accounted for 37% (2016: 27%) of total trade receivables and no provision for impairment was made in 2016 and 2017.

3. 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險

本集團的客戶主要為具穩健財務背景的分銷商及生產商。此外，本集團已有一套既定政策，確保產品於適當信貸期及信貸額內銷售予客戶。

信貸風險以組合方式處理。信貸風險產生於現金及現金等價物，和銀行及金融機構的存款，同時集團亦承受客戶的信貸風險，包括應收而未收取款項。存款只會存放於商譽良好的銀行及金融機構。至於客戶的信貸，本集團的管理層會就客戶的信貸能力、財務狀況、過往經驗及其他因素作出評估。

應收款及其他應收款於報告日的賬面值為最高之信貸風險。本集團緊密查察應收款之賬齡。於2017年12月31日，逾期之應收款佔應收款總計的37% (2016：27%)。於2016及2017年，本集團未對此應收款作撥備。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group adopts prudent liquidity risk management. The table below analyses the Group's and the Company's financial liabilities into relevant maturity groups based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

| | | 2017 | 2016 |
|---------------------------------------|------------------|----------|----------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Due within 12 months | 於12個月內到期 | | |
| Trade and other payables | 應付款及其他應付款 | 23,332 | 13,759 |
| Bank loan including interest portions | 銀行貸款(包括利息部分) | 96 | 88 |
| Due after 12 months | 於12個月之後到期 | | |
| Bank loan including interest portions | 銀行貸款(包括利息部分) | 208 | 108 |

(d) Cash flow and fair value interest rate risk

Except for the cash and cash equivalents, bank deposits, other financial assets and certain bonds and notes classified as FVTPL, the Group has no other significant interest-bearing assets or liabilities.

The majority of the FVTPL investments are bonds issued at fixed interest rates which expose the Group to fair value interest rate risk.

The investments in available-for-sale financial assets and FVTPL as at 31 December 2017 did not have material interest rate risk.

Since there is no significant borrowing in the Group and the cash and cash equivalents and bank deposits are under short maturity terms, the cash flow and fair value interest rate risk is considered to be low.

3. 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險

本集團採用審慎的流動資金風險管理。本集團及本公司之財務負債按結算日至合約到期日餘下的限期分類為不同的到期組合列載如下。於列表中披露之金額為未貼現的合約現金流量。因貼現率並無對此帶來重大影響，於十二個月內到期的餘額相等於其面值。

(d) 現金流量及公平值利率風險

除現金及現金等價物、銀行存款、其他財務資產和分類為通過損益以反映公平價值的債券及票據外，本集團並無重大計息資產或負債。

大部分FVTPL的投資乃以固定利率發行之債券令本集團承受公平值利率風險。

投資於可供出售的財務資產及FVTPL於2017年12月31日並無重大利率風險。

由於本集團並無重大借貸，以及現金及現金等價物和銀行存款的限期條款均屬短期，故現金流量及公平值利率風險被視為不高。

3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or repurchase shares.

During 2017, the Group had no material borrowing. The decrease in shareholders' funds is mainly due to the loss for the year.

3.3 Fair value estimation

The Group's investments in financial instruments are measured in the balance sheet at fair value. The fair value measurements are disclosed by level of the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. 財務風險管理(續)

3.2 資金風險管理

本集團管理資金的目標為確保本集團持續營運、提供回報予股東及利益予其他持份者，並維持最佳的資金結構以減低資金成本。

為維持或調整資金結構，本集團可能會調整派付股息之金額、退還資金予股東或回購股份。

於2017年，本集團並無重大借貸。股東權益減少主要是由於年內的虧損。

3.3 公平值估計

本集團的金融工具之投資於資產負債表中以公平值計量並按下列公平值計量的級別分類法披露：

- 第1層級－相同資產或負債於活躍市場的報價(未經調整)；
- 第2層級－除包括於第1層級的報價外，可直接(即價格)或間接(即由價格衍生)觀察出資產或負債的輸入資料；
- 第3層級－非由可觀察的市場數據的資產或負債的輸入資料(即非可觀察的輸入資料)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

Financial assets at fair value through profit or loss:

| | | 2017 | | | | 2016 | | | |
|--|--------------|---------------|----------|------------|---------------|---------------|----------|----------|---------------|
| | | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | | 第1層級 | 第2層級 | 第3層級 | 總計 | 第1層級 | 第2層級 | 第3層級 | 總計 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 |
| Unlisted | 非上市 | | | | | | | | |
| Call option over non-controlling interests | 非控股權益認購權 | - | - | 788 | 788 | - | - | - | - |
| Marketable bonds | 可買賣債券 | 7,819 | - | - | 7,819 | 18,884 | - | - | 18,884 |
| Marketable funds | 可買賣基金 | 9,575 | - | - | 9,575 | 11,311 | - | - | 11,311 |
| Listed | 上市 | | | | | | | | |
| Equity securities | 股票 | 4,908 | - | - | 4,908 | 6,736 | - | - | 6,736 |
| Fund | 基金 | 68 | - | - | 68 | 54 | - | - | 54 |
| | | 22,370 | - | 788 | 23,158 | 36,985 | - | - | 36,985 |

There were no transfers between levels during 2017 and 2016.

2017年及2016年內沒有層級之間的轉移。

3.4 Valuation techniques for deriving Level 1 and 2 fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2 financial assets comprise deposit notes and forward foreign exchange contracts.

3.4 應用於第1與第2層級公平值的估值方法

在活躍市場買賣的金融工具的公平價值根據資產負債表日的市場報價列賬。當報價可即時和定期從證券交易所、交易商、經紀、業內人士、定價服務者或監管代理獲得，而該等報價代表按公平交易基準進行的實際和常規市場交易時，該市場被視為活躍。本集團持有的金融資產的市場報價為當時買方報價。此等工具包括在第1層級。

第2層級的財務資產包括存款票據及遠期外匯合約。

3. Financial risk management (continued)

3.4 Valuation techniques for deriving Level 1 and 2 fair values (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter instruments) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The instruments will be included in level 2 if all significant inputs, other than the quoted prices included within level 1 required to fair value an instrument, are observable either directly (that is, as prices) or indirectly (that is, derived from prices).

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for level 2 derivatives.

3.5 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017:

| | | Call option over non-controlling interests 非控股權益 認購權 US\$'000 千美元 |
|--|------------------------|---|
| Opening balance at 1 January 2017 | 於2017年1月1日的期初結餘 | — |
| Acquisition of Sentron, Inc. (Note 16) | 收購 Sentron, Inc (附註16) | 874 |
| Fair value loss recognised in profit or loss | 於損益確認之重估公平值虧損 | (86) |
| Closing balance at 31 December 2017 | 於2017年12月31日的期末結餘 | 788 |
| Total unrealised losses for the year included in profit or loss for assets held at the end of the year | 於年終計入損益之年內未變現虧損總額 | (86) |

3. 財務風險管理(續)

3.4 應用於第1與第2層級公平值的估值方法(續)

不在活躍市場交易的金融工具(如：不透過交易所買賣之工具)的公平值採用估值方法確定。該等估值方法盡量使用可觀察之市場數據，並盡可能少依賴公司個別估算。如所需的輸入資料全是可觀察的，除包括於第1層級的報價以制定公平值的工具外，該項工具可直接(即價格)或間接(即由價格衍生)觀察出資產或負債的輸入資料會分類為第2層級。

遠期外匯合約已按於活躍市場取得之遠期兌換率以公平值確認。貼現率的影響對第2層級衍生工具一般並不重大。

3.5 利用重大不可觀察輸入數據計量公平值(第3層級)

下表呈列截至2017年12月31日止年度第三層級工具的變動。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

3. Financial risk management (continued)

3.5 Fair value measurements using significant unobservable inputs (level 3) (continued)

As described, the fair values of financial assets that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

| Description | Fair value | | Valuation technique | Unobservable inputs | Range of unobservable inputs | | Relationship of unobservable inputs to fair value |
|--|-------------------------|------------------------|-----------------------------------|----------------------------------|------------------------------|------------------------|---|
| | As at 31 December 2017 | As at 22 February 2017 | | | As at 31 December 2017 | As at 22 February 2017 | |
| 概述 | 公平價值 US\$'000 千美元 | | 估值方法 | 不可觀察 輸入數據 | 不可觀察 輸入數據範圍 | | 不可觀察輸入數據與 公平價值的關係 |
| Financial assets at fair value through profit or loss – Call option over non-controlling interests | 788 | 874 | Monte Carlo Method 蒙特卡羅 模擬法 | Volatility 波幅 | 50% | 45% – 60% | The higher the volatility, the higher the fair value 波幅愈大，公平價值愈高 |
| 通過損益以反映公平價值的財務資產－非控股權益認購權 | | | | Risk-free interest rate 無風險利率 | 1.9% – 2.2% | 1.5% – 2.9% | The higher the risk-free interest rate, the higher the fair value 無風險利率愈高，公平價值愈高 |
| | | | | Price to sales ratio 市銷率 | 1.0 | 0.9 – 1.2 | The higher the price to sales ratio, the higher the fair value 市銷率愈高，公平價值愈高 |

3.6 Valuation process

The Group adopted the fair values of the financial instruments other than call option over non-controlling interests provided by reputable financial institutions who are using advanced financial valuation technique.

The Group's call option over non-controlling interests was valued at 31 December 2017 by an independent, professionally qualified valuer. The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the Vice President, Finance, audit committee, the valuation team and independent valuer at least once every six months, in line with the Group's interim and annual reporting dates.

3. 財務風險管理(續)

3.5 利用重大不可觀察輸入數據計量公平值(第3層級)(續)

誠如所述者，分類為公平價值級別第3層級的金融資產公平價值乃按使用並非根據可觀察市場數據所得出重大輸入數據的估值方法釐定。該等公平價值對用以得出輸入數據的假設的變動具敏感性質。下表說明重大輸入數據當變更為合理可能的其他輸入數據時的敏感度：

3.6 估值程序

本集團採納應用先進估值方法之有信譽的金融機構為金融工具(非控股權益認購權除外)提供的公平值。

本集團的非控股權益認股期權於2017年12月31日由一位獨立專業合資格估值師進行估值。本集團的財務部擁有一支團隊就由獨立估值師所進行估值進行審閱，以達到財務申報目的。副總裁－財務、審核委員會、估值團隊及獨立估值師至少每6個月就估值過程及結果進行一次商討，與本集團的中期及年度報告日期一致。

3. Financial risk management (continued)

3.7 Fair value of financial assets and liabilities measured at amortized cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Pledged bank deposits, short-term fixed deposits, cash and cash equivalents
- Trade and other payables
- Bank loan

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

4.1 Income tax

The Group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision and deferred tax assets and liabilities in the period in which such determination is made.

4.2 Equity compensation

In determining the total expenses for the Group's share-based compensation plans, the Group estimates the number of share options or shares that are expected to become exercisable or vested at the date of grant. At each balance sheet date before the share options or shares become fully exercisable or vested, the Group will revise the total expenses where the number of share options or shares that are expected to become exercisable or vested is different from previously estimated.

3. 財務風險管理(續)

3.7 以攤銷成本披露的財務資產及負債之公平值

以下財務資產及負債的公平值與其賬面值接近：

- 應收款及其他應收款
- 已抵押的銀行存款、短期定期存款、現金及現金等價物
- 應付款及其他應付款
- 銀行貸款

4. 關鍵會計估算及判斷

估算及判斷會持續予以評估，並以過往經驗及其他因素(包括在某些情況下對未來事件的合理預計)為依據。

本集團對未來作估算及假設。根據定義，會計估算的結果極少與相關的實際結果相同。所作的估算及假設可能存在重大風險，並導致下一財政期間的資產及負債賬面值有重大調整的項目在下文論述。

4.1 所得稅

本集團需繳納若干司法權區的所得稅。釐定各地所得稅撥備涉及重大判斷。許多交易，對其最終稅項的釐定難以作出確定的計算。本集團根據對預計是否有額外稅項的負擔，就預期稅項審計事項確認為負債。倘該等事項的最終稅項結果與初始記錄金額有別，該差異將影響釐定稅項期間的所得稅撥備及遞延稅項資產及負債。

4.2 股本權益報酬

就本集團的股本權益報酬計劃釐定總開支時，本集團估計於授出當日預期可予行使的購股權或歸屬的股份數目。於購股權全面行使或股份全面歸屬前的各結算日，倘預期可予行使的購股權或歸屬的股份數目與先前的估計有別，則本集團將會修訂其總開支。

4. Critical accounting estimates and judgements (continued)

4.3 Estimate impairment of investments in subsidiaries and in associated companies

The Group tests annually whether investments in subsidiaries and investments in associated companies have suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of investments in subsidiaries and investments in associated companies have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgement and estimates, in particular of future revenue or cash flow. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their recoverable amounts.

4.4 Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4.5 Provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and provision for impaired receivables in the year in which such estimate has been changed.

4. 關鍵會計估算及判斷(續)

4.3 於附屬公司及聯營公司投資的減值估算

依據附註2.7所列示的會計政策，本集團每年就附屬公司及聯營公司投資是否遭受任何減值進行測試。附屬公司及聯營公司投資的可收回金額乃使用價值之計算或市場估值。該等計算須運用判斷及估算，尤其是未來之收入或現金流。管理層相信任何合理而可能出現與假設之差異不會使現金產出單元之累計賬面值高於其可收回金額。

4.4 可供出售財務資產減值

本集團在釐定一項可供出售財務資產是否已減值時，依循香港會計準則第39號的指引。此項釐定需要有重大判斷。在作出此項判斷時，本集團評估(包括其他因素)某項投資的公平值低於其成本的持續時間和數額，以及被投資者的財政健全情況和短期業務前景，包括例如行業和範疇表現、技術變遷以及經營和籌資現金流量等因素。

4.5 應收款減值

本集團根據應收款可收回情況的評估為應收款作出減值撥備。倘出現事項或情況有變而顯示不一定可收回餘款時，則須就應收款撥備。識別減值須運用判斷及作出估算。倘預期金額有別於原先估計數值，則有關差額將影響估計數值出現變動年度之應收款的賬面值及應收款減值撥備。

4. Critical accounting estimates and judgements (continued)

4.6 Provision for obsolete or slow moving inventories

The Group makes provision for obsolete or slow moving inventories based on consideration of obsolescence of raw materials and work in progress and the net realizable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and impairment provision in the year in which such estimate has been changed.

4.7 Acquisition accounting

Accounting for acquisition require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets undertaken processed materially impact the calculation of goodwill and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of intangible assets acquired also requires judgement.

4.8 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6(a). The recoverable amount of the CGUs have been determined based on the higher of the fair value less costs to sell and value in use calculations. These calculations require the use of estimates (Note 14).

4. 關鍵會計估算及判斷(續)

4.6 過時或滯銷存貨減值

本集團根據原材料及在製品的過時情況及製成品的可變現淨值為過時或滯銷存貨作出撥備。識別存貨過時情況及於日常業務過程中的估計售價須運用判斷及作出估算。倘預期金額有別於原先估計數值，則有關差額將影響估計數值出現變動年度之存貨的賬面值及減值撥備。

4.7 收購會計處理

收購的會計處理規定本集團根據收購日的估計公平價值分配收購成本至所收購特定資產及所承擔負債。本集團已執行程序以識別所收購一切資產及負債，包括所收購無形資產。就識別全部所收購資產、釐定分配至各類別所收購資產及所承擔負債的估計公平價值以及資產可使用年期作出的判斷可重大影響往後期間有關商譽及攤銷費用的計算。估計公平價值根據收購日前後可取得資料以及管理層認為屬合理的期望及假設計算得出。釐定所收購無形資產的估計可使用年期時亦須作出判斷。

4.8 商譽減值估計

本集團就商譽有否任何減值按附註2.6(a)所載的會計政策每年進行測試。現金產出單元組的可收回數額已根據公平值減出售成本與使用價值計算的較高者而釐定。有關計算須使用估計(附註14)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

5. Segment information

During the year, the Group has principally engaged in the design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for smartphones, tablets, smart TVs/monitors, notebooks and other smart devices, including wearables, healthcare devices, smart home devices, as well as industrial appliances, etc.

The Group has been operating in one single operating segment, i.e. the design, development and sales of proprietary IC products and system solutions.

The chief operating decision-makers have been identified as the Executive Directors and senior management led by the Chief Executive Officer. The Executive Directors and senior management reviewed the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

Sales amounted to US\$82,464,000 and US\$68,408,000 for the years ended 31 December 2017 and 2016 respectively.

The Company is domiciled in Hong Kong. The Group mainly operates in Hong Kong. During 2017, the Group's products were mainly sold to customers located in Hong Kong, Taiwan, China and Korea.

5. 分部資料

於年內，本集團主要從事設計、開發及銷售專有集成電路晶片產品及系統解決方案，能廣泛應用於各類智能手機、平板電腦、智能電視／顯示器、筆記本電腦及其他智能產品，包括可穿戴式產品、醫療保健產品、智能家居產品及工業用設備等。

本集團一直以單一營運分部經營，即設計、開發及銷售專有IC產品及系統解決方案。

本集團最高營運決策層為行政總裁暨領導下的執行董事和高級管理層。執行董事和高級管理層檢討本集團內部報告以評估業績及分配資源。管理層基於該等報告確定營運分部報告。

截至2017及2016年12月31日止年度，銷售額分別為82,464,000美元及68,408,000美元。

本公司的所在地位於香港。本集團主要於香港經營其業務。於2017年內，本集團之產品主要銷售予位於香港、台灣、中國及韓國的客戶。

5. Segment information (continued)

(a) Sales

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-----------------|-----|-------------------------|-------------------------|
| Hong Kong | 香港 | 22,885 | 22,102 |
| Taiwan | 台灣 | 22,410 | 23,189 |
| China | 中國 | 12,260 | 11,872 |
| Korea | 韓國 | 10,501 | 1,640 |
| Europe | 歐洲 | 5,762 | 4,480 |
| Japan | 日本 | 5,193 | 1,931 |
| South East Asia | 東南亞 | 1,759 | 2,227 |
| USA | 美國 | 468 | 342 |
| Others | 其他 | 1,226 | 625 |
| | | 82,464 | 68,408 |

Sales are classified based on the places/countries in which customers are located.

銷售額按客戶所在地區／國家分類。

(b) Total assets

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-----------------|-----|-------------------------|-------------------------|
| Hong Kong | 香港 | 67,863 | 84,589 |
| China | 中國 | 27,387 | 18,462 |
| Taiwan | 台灣 | 12,754 | 6,656 |
| Korea | 韓國 | 7,050 | 859 |
| United Kingdom | 英國 | 987 | 1,265 |
| South East Asia | 東南亞 | 69 | 3,604 |
| Others | 其他 | 109 | 127 |
| | | 116,219 | 115,562 |

Assets are listed based on where the assets are located. Others mainly comprise Japan and the USA.

資產是根據資產的所在地予以列載。其他主要包括日本及美國。

5. 分部資料(續)

(a) 銷售額

(b) 總資產

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

5. Segment information (continued)

(c) Capital expenditures

| | | 2017 | 2016 |
|--------------------------------------|-----------------|--------------|---------------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Intangible assets | 無形資產 | | |
| China | 中國 | 2,500 | – |
| Hong Kong | 香港 | – | 17,000 |
| | | 2,500 | 17,000 |
| Property, plant and equipment | 物業、廠房及設備 | | |
| China | 中國 | 1,197 | 224 |
| Taiwan | 台灣 | 924 | – |
| United Kingdom | 英國 | 801 | – |
| Hong Kong | 香港 | 55 | 300 |
| Others | 其他 | 40 | 2 |
| | | 3,017 | 526 |
| | | 5,517 | 17,526 |

Capital expenditures are listed based on where the assets are located.

資本開支是根據資產的所在地予以列載。

(d) Major customers

For the year ended 31 December 2017, sales of US\$10,504,000 were derived from a single external customer under Taiwan segment which were over 10% of the Group's total sales. For the year ended 31 December 2016, the largest customer was under Taiwan segment and the second largest customer was under Hong Kong segment. Their sales were US\$11,871,000 and US\$8,901,000 respectively which were both over 10% of the Group's total sales.

(d) 主要客戶

截至2017年12月31日止年度，銷售額中10,504,000美元產生自單一外部客戶，其位於台灣分部並佔本集團總銷售額大於10%。截至2016年12月31日止年度，最大客戶位於台灣分部而第二大客戶位於香港分部。其銷售額分別為11,871,000美元及8,901,000美元，並各佔本集團總銷售額大於10%。

6. Expenses by nature

Expenses included in cost of sales, research and development costs, selling and distribution expenses, and administrative expenses are analyzed as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|-------------------------|-------------------------|-------------------------|
| Cost of inventories sold | 售出存貨成本 | 47,486 | 41,731 |
| Product engineering costs | 產品工程成本 | 5,244 | 5,380 |
| Provision for obsolete or slow moving inventories | 過時或滯銷存貨的撥備 | 3,454 | 746 |
| Amortization of intangible assets | 無形資產攤銷 | 3,612 | 298 |
| Depreciation of owned property, plant and equipment | 自置物業、廠房及設備折舊 | 1,284 | 843 |
| Operating leases for land and buildings | 土地及樓宇的經營租賃 | 1,918 | 1,522 |
| Auditor's remuneration | 核數師酬金 | | |
| – Audit services | –核數服務 | 234 | 197 |
| – Non-audit services | –非核數服務 | 25 | 24 |
| Employee benefit expenses (including directors' emoluments) (Note 9) | 僱員福利開支 (包括董事酬金)(附註9) | 32,390 | 23,269 |
| Net exchange loss | 淨匯兌虧損 | 54 | 340 |

6. 按性質分類的開支

包括在銷售成本、研究及開發成本、銷售及分銷開支和行政開支內的開支分析如下：

7. Other income – net

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|------------------------|-------------------------|-------------------------|
| Government grant | 政府補貼 | 5,883 | 1,398 |
| Gain/(loss) on disposal of property, plant and equipment | 出售物業、廠房及設備的 收益/(虧損) | 24 | (1) |
| Others | 其他 | 220 | 60 |
| | | 6,127 | 1,457 |

7. 其他收入—淨額

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

8. Finance income – net

8. 投資收入－淨額

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---------------------------------------|------------------|-------------------------|-------------------------|
| Interest income | 利息收入 | 814 | 1,511 |
| Dividend income | 股息收入 | 347 | 845 |
| Gain on disposal of FVTPL | 出售FVTPL的收益 | 809 | 1,530 |
| Net realized income | 已變現的淨收入 | 1,970 | 3,886 |
| Fair value gain from FVTPL | FVTPL公平值收益 | 2,900 | 1,220 |
| Fair value loss from FVTPL | FVTPL公平值虧損 | (928) | (1,421) |
| Net unrealized gain/(loss) from FVTPL | FVTPL未變現的淨收益(虧損) | 1,972 | (201) |
| Interest expense of bank loan | 銀行貸款的利息支出 | (4) | (4) |
| Others | 其他 | – | 2 |
| | | 3,938 | 3,683 |

9. Employee benefit expenses (including directors' emoluments)

9. 僱員福利開支(包括董事酬金)

(a) Employee benefit expenses (including directors' emoluments)

(a) 僱員福利開支(包括董事酬金)

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-----------------------------------|-------------|-------------------------|-------------------------|
| Wages and salaries | 工資及薪金 | 23,296 | 17,362 |
| Discretionary bonuses | 酌情花紅 | 4,292 | 842 |
| Equity compensation | 股本權益報酬 | | |
| – shares and share options | – 股份及購股權 | 369 | 77 |
| Pension costs | 退休金成本 | | |
| – defined contribution plans (i) | – 界定供款計劃(i) | 689 | 720 |
| Severance & long service expenses | 遣散費及長期服務 | 343 | 1,746 |
| Other employee benefits | 其他僱員福利 | 3,401 | 2,522 |
| | | 32,390 | 23,269 |

(i) Forfeited contributions to certain defined contribution plans will be utilized to reduce contributions. During 2017, there was US\$22,000 of contribution being forfeited (2016: US\$30,400).

(i) 已放棄之供款可用作扣減界定供款計劃的供款。於2017年內，已放棄的供款為22,000美元(2016：30,400美元)。

(b) Five top-paid individuals in the Group

One (2016: one) of the five top-paid employees of the Group was a Director of the Company whose emoluments are disclosed in note 10.

(b) 本集團內五名最高薪人士

本集團五名最高薪人士包括一名(2016：一名)本公司董事，其酬金已於附註10反映。

9. Employee benefit expenses (including directors' emoluments) (continued)

(b) Five top-paid individuals in the Group (continued)

Details of the emoluments of the other four (2016: four) top-paid employees were as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|-----------------|-------------------------|-------------------------|
| Basic salaries, other allowances and benefits in kind | 基本薪金及其他津貼和福利 | 756 | 725 |
| Discretionary bonuses | 酌情花紅 | 370 | 48 |
| Contribution to pension scheme and long service payment | 向退休計劃供款及長期服務金付款 | 46 | 34 |
| | | 1,172 | 807 |
| Equity compensation | 股本權益報酬 | - | 23 |
| | | 1,172 | 830 |

| Emolument bands (US\$) 酬金金額範圍(美元) | Number of individuals 人數 | |
|--------------------------------------|-----------------------------|------|
| | 2017 | 2016 |
| 150,001–200,000 | - | 2 |
| 200,001–250,000 | 2 | 1 |
| 250,001–300,000 | 1 | 1 |
| 400,001–450,000 | 1 | - |

During the year, no emoluments have been paid to the Directors of the Company or the five highest paid individuals in the Group as an inducement to join or upon joining the Group (2016: Nil).

於年內，並無向本公司董事或集團內五名最高薪人士支付任何酬金，作為吸引加入本集團或於加盟本集團時的獎勵(2016：無)。

(c) Remuneration of the senior management in the Group

The emoluments for the five senior management members listed on page 24 of this annual report fell within the following bands:

| Emolument bands (US\$) 酬金金額範圍(美元) | Number of individuals 人數 | |
|--------------------------------------|-----------------------------|------|
| | 2017 | 2016 |
| 50,001–100,000 | 1 | - |
| 100,001–150,000 | 2 | 2 |
| 150,001–200,000 | 2 | 1 |
| 200,001–250,000 | - | 1 |

(c) 本集團內之高級管理層薪酬

五名列載於本年報第24頁的高級管理層成員酬金金額介乎以下範圍：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

10. Benefits and interests of Directors and Chief Executive

(a) Directors' emoluments

The remuneration of every Director of the Company including the equity compensation charged to the consolidated income statement under the requirements of HKFRS 2 "Share-based payment" is set out below:

10. 董事及行政總裁的福利及權益

(a) 董事及行政總裁的酬金

本公司每名董事的酬金(包括根據香港財務報告準則第2號「以股份為基礎的付款」在綜合損益表內支銷的股本權益報酬)列載如下:

| | | Directors' emoluments for the year ended 31 December 2017 截至2017年12月31日止年度董事之酬金 | | | | | | |
|-----------------------|-----|--|----------|-------------------------------|---|----------|---|----------|
| | | Fees | Salary | Other benefits ⁽ⁱ⁾ | Employer's contribution to pension scheme 僱主的退休金計劃供款 | Subtotal | Equity compensation ⁽ⁱⁱ⁾ 股本權益報酬 ⁽ⁱⁱ⁾ | Total |
| | | 袍金 | 薪金 | 其他福利 ⁽ⁱ⁾ | 退休金計劃供款 | 小計 | 股本權益報酬 ⁽ⁱⁱ⁾ | 總計 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 |
| Leung Heung Ying | 梁享英 | 34 | - | - | - | 34 | 9 | 43 |
| Sheu Wei Fu | 許維夫 | 30 | - | - | - | 30 | 9 | 39 |
| Yiu Tin Chong, Joseph | 姚天從 | 35 | - | - | - | 35 | 9 | 44 |
| Li Jun | 李峻 | 1 | - | - | - | 1 | - | 1 |
| Li Rongxin | 李榮信 | 1 | - | - | - | 1 | - | 1 |
| Zhao Guiwu | 趙貴武 | 1 | - | - | - | 1 | - | 1 |
| Yeh Tsuei Chi | 葉垂奇 | - | 260 | 46 | 13 | 319 | 225 | 544 |
| Lo Wai Ming | 盧偉明 | - | 131 | 15 | 7 | 153 | 57 | 210 |
| | | 102 | 391 | 61 | 20 | 574 | 309 | 883 |

(i) Other benefits include leave pay, insurance premium and other allowances.

(ii) This represents the amount charged to the consolidated income statement under the requirements of HKFRS 2. Equity compensation granted in prior years with vesting term extended into the year has an impact to the current year.

(i) 其他福利包括假期工資、保險費及其他津貼。

(ii) 股本權益報酬指根據香港財務報告準則第2號的規定於綜合損益表內支銷的金額。包括於以前年度授予之股本權益其歸屬期伸延至本年度之金額。

10. Benefits and interests of Directors and Chief Executive

(continued)

(a) Directors' emoluments (continued)

10. 董事及行政總裁的福利及權益(續)

(a) 董事及行政總裁的酬金(續)

| | | Directors' emoluments for the year ended 31 December 2016 截至2016年12月31日止年度董事之酬金 | | | | | | |
|------------------------|-----|--|----------|----------------|---|----------|--------------------------------------|----------|
| | | Fees | Salary | Other benefits | Employer's contribution to pension scheme 僱主的 退休金 計劃供款 | Subtotal | Equity compensation 股本 權益報酬 | Total |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 | 千美元 |
| Leung Heung Ying | 梁享英 | 37 | - | - | - | 37 | 9 | 46 |
| Sheu Wei Fu | 許維夫 | 32 | - | - | - | 32 | 10 | 42 |
| Yiu Tin Chong, Joseph | 姚天從 | 38 | - | - | - | 38 | 9 | 47 |
| Li Jun | 李峻 | 12 | - | - | - | 12 | - | 12 |
| Li Rongxin | 李榮信 | 15 | - | - | - | 15 | - | 15 |
| Zhao Guiwu | 趙貫武 | 16 | - | - | - | 16 | - | 16 |
| Yeh Tsuei Chi | 葉垂奇 | - | 256 | 94 | 13 | 363 | - | 363 |
| Lo Wai Ming | 盧偉明 | - | 73 | 9 | 4 | 86 | - | 86 |
| Leung Kwong Wai | 梁廣偉 | - | 114 | 70 | 6 | 190 | 6 | 196 |
| Cheung Wai Kuen, Kenny | 張惠權 | - | 68 | 3 | 3 | 74 | - | 74 |
| | | 150 | 511 | 176 | 26 | 863 | 34 | 897 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

10. Benefits and interests of Directors and Chief Executive

(continued)

(b) Equity compensation to Directors and the Chief Executive Officer

More details for the equity compensation schemes can be referred to note 25 to the consolidated financial statements. Details of the share options granted to each of the directors and their corresponding fair values are listed as below:

| | | 2017 | | 2016 | |
|-----------------------|-----------|--|--|--|--|
| | | Number of share options granted | Fair value of the share options at grant date ⁽ⁱ⁾ | Number of share options granted | Fair value of the share options at grant date ⁽ⁱ⁾ |
| | | 已授出購股權數目 (in thousand units) (以千計) | 於授出日期購股權的公平值 ⁽ⁱ⁾ US\$'000 千美元 | 已授出購股權數目 (in thousand units) (以千計) | 於授出日期購股權的公平值 ⁽ⁱ⁾ US\$'000 千美元 |
| Directors | 董事 | | | | |
| Leung Heung Ying | 梁享英 | 800 | 11.9 | 800 | 8.4 |
| Sheu Wei Fu | 許維夫 | 800 | 11.9 | 800 | 8.4 |
| Yiu Tin Chong, Joseph | 姚天從 | 800 | 11.9 | 800 | 8.4 |
| Li Jun | 李峻 | — | — | — | — |
| Li Rongxin | 李榮信 | — | — | — | — |
| Zhao Guiwu | 趙貴武 | — | — | — | — |
| Yeh Tsuei Chi | 葉垂奇 | — | — | 15,000 | 233.4 |
| Lo Wai Ming | 盧偉明 | — | — | 6,000 | 75.5 |
| | | 2,400 | 35.7 | 23,400 | 334.1 |

(i) These represent the full fair value of the share options at grant date to be amortized in accordance with the vesting terms of the share option grant and may differ from the total charge to the consolidated income statement of the year.

(c) Retirement and termination benefits to Directors

No retirement and termination benefits have been paid or payable to the Directors of the Company during the year (2016: US\$313,000).

10. 董事及行政總裁的福利及權益(續)

(b) 董事及行政總裁的股本權益報酬

有關股本權益報酬的其他資料可參閱綜合財務報表附註25。已授予各董事的購股權，以及其相應的公平值列載如下：

(c) 董事的退休福利及終止福利

於年內，並無向本公司董事支付或應付任何退休福利及終止福利(2016：313,000美元)。

10. Benefits and interests of Directors and Chief Executive

(continued)

(d) Loans, quasi loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there were no loans or other dealings in favor of the Directors of the Company, controlled bodies corporate by and connected entities with such Directors (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or its subsidiaries, was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

11. Income tax

Hong Kong income tax has been provided at the rate of 16.5% (2016: 16.5%) while overseas income tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

10. 董事及行政總裁的福利及權益(續)

(d) 向董事、受該等董事控制的法人團體及該董事的關連主體提供的貸款及其他交易

於年內，並無向本公司董事、受該等董事控制的法人團體及該董事的關連主體提供貸款或亦無其他交易(2016：無)。

(e) 董事於交易、安排或合約的重大權益

於本年底或年內任何時間，本公司或其任何附屬公司並沒有為訂約方或本公司董事於當中直接或間接擁有重大權益且涉及本集團業務的重大交易、安排或合約(2016：無)。

11. 所得稅

香港所得稅已根據稅率16.5%(2016：16.5%)計算，而海外所得稅則根據本集團營運所在國家的適用稅率計算。

| | Note | 2017 | 2016 |
|---|--------------|----------|----------|
| | 附註 | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Current income tax: | 本期所得稅： | | |
| – Hong Kong | – 香港 | – | – |
| – Overseas | – 海外 | 62 | 1 |
| Reversal of income tax provision in prior years | 回撥以往年度估算的所得稅 | – | (452) |
| Deferred income tax | 遞延所得稅 | (43) | – |
| Income tax expense/(credit) | 所得稅支出/(收入) | 19 | (451) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

11. Income tax (continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the income tax rate of Hong Kong, the Group's principal place of operation, as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|---------------|-------------------------|-------------------------|
| Loss before income tax | 除稅前虧損 | (10,302) | (7,380) |
| Income tax calculated at a tax rate of 16.5% | 所得稅按16.5%稅率計算 | (1,700) | (1,218) |
| Income not subject to tax | 毋須課稅的收入 | (806) | (772) |
| Expenses not deductible for tax purposes | 不可作扣稅的開支 | 189 | 155 |
| Income tax losses not recognised | 未確認所得稅稅項之虧損 | 2,336 | 1,836 |
| Over-provision in prior years | 以往年度多估撥備 | - | (452) |
| | | 19 | (451) |

12. Loss per share

(a) Basic loss per share

The basic loss per share for the year is calculated based on the Group's loss in 2017 attributable to the equity holders of the Company of US\$10,233,000 (2016: US\$6,929,000) and the weighted average number of 2,478,135,913 (2016: 2,477,102,351) ordinary shares in issue during the year.

(b) Diluted loss per share

The diluted loss per share is calculated based on the Group's loss attributable to the equity holders of the Company and the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares including allocated but excluding unallocated own shares held during the year.

The information related to the weighted average number of ordinary shares is as follows:

| | | Number of shares 股份數目 | |
|--|------------------------------------|--------------------------|---------------|
| | | 2017 | 2016 |
| Weighted average number of ordinary shares in issue | 已發行普通股加權平均數 | 2,478,135,913 | 2,477,102,351 |
| Conversion of all dilutive share options outstanding ⁽ⁱ⁾ | 兌換所有可予發行具攤薄影響的流通購股權 ⁽ⁱ⁾ | - | - |
| Adjusted weighted average number of ordinary shares for diluted loss per share calculation | 用作計算每股攤薄虧損的調整後普通股加權平均股數 | 2,478,135,913 | 2,477,102,351 |

(i) As at 31 December 2017, there were 31,600,000 (2016: 44,050,000) share options outstanding which could potentially have a dilutive impact but were anti-dilutive for the year then ended. Hence, there was no dilutive effect on the calculation of the diluted loss per share for the year ended 31 December 2017 and 2016.

11. 所得稅(續)

本集團有關除稅前虧損的所得稅稅項與假設採用香港(本集團的主要營運地點)的稅率而計算的理論稅額的差額如下:

12. 每股虧損

(a) 每股基本虧損

每股基本虧損是根據本公司的權益持有人應佔本集團於2017年之虧損10,233,000美元(2016: 6,929,000美元)及本年內已發行普通股加權平均數2,478,135,913股(2016: 2,477,102,351股)計算。

(b) 每股攤薄虧損

每股攤薄虧損乃根據本公司的權益持有人應佔本集團虧損及已就年內所有具潛在攤薄影響的普通股作出調整後之加權平均普通股數計算。

普通股加權平均數的有關資料列載如下:

(i) 於2017年12月31日,可予發行具攤薄影響的購股權為31,600,000(2016: 44,050,000)股。該等股份具有潛在攤薄影響,但於計算每股攤薄虧損則產生反攤薄影響。因此,計算2017年及2016年12月31日止年度的每股攤薄虧損並無造成攤薄影響。

13. Dividend

No dividend for the years ended 31 December 2017 and 2016 was declared or paid by the Company. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2017.

14. Intangible assets

13. 股息

公司並沒有宣派或派付截至2017及2016年12月31日止年度之股息。再者，董事會決議不建議宣派截至2017年12月31日止年度之末期股息。

14. 無形資產

| | | Goodwill 商譽 US\$'000 千美元 | Patents and intellectual property 專利及 知識產權 US\$'000 千美元 | Total 總計 US\$'000 千美元 |
|---|------------------|--|--|---------------------------------------|
| At 1 January 2016 | 於2016年1月1日 | | | |
| Cost | 成本 | – | 4,572 | 4,572 |
| Accumulated amortization and impairment | 累計攤銷及減值 | – | (4,534) | (4,534) |
| Net book amount | 賬面淨值 | – | 38 | 38 |
| Year ended 31 December 2016 | 截至2016年12月31日止年度 | | | |
| Opening net book amount | 期初賬面淨值 | – | 38 | 38 |
| Additions | 添置 | – | 17,000 | 17,000 |
| Amortization | 攤銷 | – | (298) | (298) |
| Closing net book amount | 期末賬面淨值 | – | 16,740 | 16,740 |
| At 31 December 2016 | 於2016年12月31日 | | | |
| Cost | 成本 | – | 21,569 | 21,569 |
| Accumulated amortization and impairment | 累計攤銷及減值 | – | (4,829) | (4,829) |
| Net book amount | 賬面淨值 | – | 16,740 | 16,740 |
| Year ended 31 December 2017 | 截至2017年12月31日止年度 | | | |
| Opening net book amount | 期初賬面淨值 | – | 16,740 | 16,740 |
| Additions | 添置 | – | 2,500 | 2,500 |
| Acquisition of a subsidiary (Note 16) | 收購一間附屬公司(附註16) | 2,317 | 1,896 | 4,213 |
| Amortization | 攤銷 | – | (3,612) | (3,612) |
| Closing net book amount | 期末賬面淨值 | 2,317 | 17,524 | 19,841 |
| At 31 December 2017 | 於2017年12月31日 | | | |
| Cost | 成本 | 2,317 | 25,965 | 28,282 |
| Accumulated amortization and impairment | 累計攤銷及減值 | – | (8,441) | (8,441) |
| Net book amount | 賬面淨值 | 2,317 | 17,524 | 19,841 |

Amortization expense of US\$3,612,000 (2016: US\$298,000) has been charged in research and development costs.

攤銷開支3,612,000美元(2016: 298,000美元)已於研究及開發成本中支銷。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

14. Intangible assets (continued)

Impairment tests for goodwill

Management reviews the business performance on CGU basis. The goodwill is monitored by management at the CGU level. As at 31 December 2017, goodwill of US\$2,317,000 is attributable to the Touch and Display Driver Integration ("TDDI") product line.

The recoverable amount of a CGU is determined based on the higher of the fair value less costs to sell and value in use calculation. For the purpose of annual impairment tests for goodwill, management prepared cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for calculations in 2017 are as follows:

| | | 2017 |
|-----------------------|--------|--------|
| Gross margin (%) | 毛利率(%) | 21-28% |
| Discount rate | 貼現率 | 20% |
| Long-term growth rate | 長期增長率 | 3% |

Management determined budgeted gross margin based on past performance and its expectations of the market and technology development. The long-term growth rates used are consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the CGU.

As at 31 December 2017, the recoverable amount calculated based on value-in-use exceeded carrying value. No impairment of goodwill is recognised during the year ended 31 December 2017.

14. 無形資產(續)

商譽減值測試

管理層以現金產生單位檢討業績。商譽於現金產生單位層面監察。於2017年12月31日，商譽2,317,000美元乃產生自TDDI產品綫。

附帶商譽之現金產生單位之可收回金額乃按公平值扣減出售成本與使用價值之較高者釐訂。商譽每年進行減值檢討，使用已經管理層審批的5年財務預算為基礎編製現金流預測，超過5年的現金流按以下預測增長率推斷。

2017的計算按以下主要假設釐定：

管理層根據以往業績及其對市場和技術發展之預期釐定預算毛利率。使用的長期增長率與行業報告內的預測一致。所用貼現率乃反映與相關現金產生單位之特定風險。

於2017年12月31日，可收回金額按使用價值計算高於帳面值。年內，沒有商譽已被減值。

15. Property, plant and equipment

15. 物業、廠房及設備

| | | Land ⁽ⁱ⁾ and building 土地 ⁽ⁱ⁾ 及樓宇 | Leasehold improvements 租賃物業 裝修 | Furniture, fixtures, licenses and equipment 傢具、 固定裝置、 許可證及設備 | Machinery and laboratory equipment 機器及 實驗室設備 | Motor vehicles 汽車 | Total 總計 |
|---------------------------------------|----------------------|--|---|--|--|-------------------------|-----------------|
| | | US\$'000 千美元 | US\$'000 千美元 | US\$'000 千美元 | US\$'000 千美元 | US\$'000 千美元 | US\$'000 千美元 |
| At 1 January 2016 | 於2016年1月1日 | | | | | | |
| Cost | 成本 | 1,612 | 2,714 | 7,878 | 16,636 | 254 | 29,094 |
| Accumulated depreciation | 累計折舊 | (133) | (2,553) | (7,140) | (15,470) | (254) | (25,550) |
| Net book amount | 賬面淨值 | 1,479 | 161 | 738 | 1,166 | - | 3,544 |
| Year ended 31 December 2016 | 截至2016年12月31日 | | | | | | |
| Opening net book amount | 期初賬面淨值 | 1,479 | 161 | 738 | 1,166 | - | 3,544 |
| Exchange differences | 匯兌差額 | 46 | 4 | (7) | (43) | - | - |
| Additions | 添置 | - | - | 244 | 282 | - | 526 |
| Disposals | 註銷 | - | - | - | (4) | - | (4) |
| Depreciation | 折舊 | (19) | (75) | (385) | (364) | - | (843) |
| Closing net book amount | 期末賬面淨值 | 1,506 | 90 | 590 | 1,037 | - | 3,223 |
| At 31 December 2016 | 於2016年12月31日 | | | | | | |
| Cost | 成本 | 1,662 | 2,461 | 6,707 | 16,293 | 70 | 27,193 |
| Accumulated depreciation | 累計折舊 | (156) | (2,371) | (6,117) | (15,256) | (70) | (23,970) |
| Net book amount | 賬面淨值 | 1,506 | 90 | 590 | 1,037 | - | 3,223 |
| Year ended 31 December 2017 | 截至2017年12月31日 | | | | | | |
| Opening net book amount | 期初賬面淨值 | 1,506 | 90 | 590 | 1,037 | - | 3,223 |
| Exchange differences | 匯兌差額 | 117 | 9 | 48 | 14 | - | 188 |
| Additions | 添置 | - | 509 | 1,375 | 1,133 | - | 3,017 |
| Acquisition of a subsidiary (Note 16) | 收購一間附屬公司(附註16) | - | - | 12 | 7 | - | 19 |
| Disposals | 註銷 | - | (56) | (23) | - | - | (79) |
| Depreciation | 折舊 | (20) | (83) | (566) | (615) | - | (1,284) |
| Closing net book amount | 期末賬面淨值 | 1,603 | 469 | 1,436 | 1,576 | - | 5,084 |
| At 31 December 2017 | 於2017年12月31日 | | | | | | |
| Cost | 成本 | 1,792 | 2,921 | 6,298 | 17,181 | 70 | 28,262 |
| Accumulated depreciation | 累計折舊 | (189) | (2,452) | (4,862) | (15,605) | (70) | (23,178) |
| Net book amount | 賬面淨值 | 1,603 | 469 | 1,436 | 1,576 | - | 5,084 |

(i) Bank loan is secured by the land and building. Freehold land in Taiwan of US\$740,000 (2016: US\$686,000) was included in the land and building.

(ii) Depreciation expense of US\$285,000 (2016: US\$294,000) has been charged in cost of sales, US\$354,000 (2016: US\$99,000) in research and development costs and US\$645,000 (2016: US\$450,000) in administrative expenses.

(i) 銀行貸款以土地及樓宇作抵押。於台灣擁有永久業權的土地740,000美元(2016: 686,000美元)，包括在土地及樓宇中。

(ii) 折舊開支285,000美元(2016: 294,000美元)已於銷售成本中支銷，而354,000美元(2016: 99,000美元)則於研究及開發成本中入賬及645,000美元(2016: 450,000美元)於行政開支中入賬。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

16. Business combinations

On 22 February 2017, the Group acquired 52% of the issued shares and a call option to acquire the remaining 48% of the equity interests in Sentron, Inc., a company that is a design and development house of ICs for display applications, for a consideration of US\$4,000,000. The acquisition is expected to increase the Group's market share by product developments.

The goodwill of US\$2,317,000 arises from a number of factors, including expected synergies through combining a highly skilled workforce, obtaining greater production efficiencies through knowledge transfer, and unrecognised assets such as the workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Sentron, Inc., and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

16. 業務合併

於2017年2月22日，本集團以作價4,000,000美元，收購了Sentron, Inc.，一家顯示應用IC的設計及開發公司的已發行股份的52%及認股期權以收購Sentron, Inc.餘下48%股本權益。是項收購預計將加強產品開發，有助本集團拓展市場份額。

價值2,317,000美元的商譽乃來自多個因素，包括預期與高技術人才協作產生的協同效應、透過知識轉移提升生產效率，以及未經確認的資產，如人才。並無經確認的商譽預計可作扣除所得稅用途。

下表總結了在收購日繳付Sentron, Inc.的作價、購入的資產及確認承擔的負債金額。

| | | 22 February 2月22日 2017 |
|--|-----------------------|------------------------------|
| | Note 附註 | US\$'000 千美元 |
| Cash paid | 現金支付 | 4,000 |
| Less: Fair value of call option over non-controlling interests | 減：非控股權益認購權的公平值 | (874) |
| Total consideration | 總作價 | 3,126 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | 經確認的已收購可辨認資產和承擔負債 | |
| – Intangible assets | – 無形資產 | 1,896 |
| – Property, plant and equipment | – 物業、廠房和設備 | 19 |
| – Cash and cash equivalents | – 現金及現金等價物 | 33 |
| – Trade and other receivables | – 應收款及其他應收款 | 264 |
| – Inventories | – 存貨 | 13 |
| – Trade and other payables | – 應付款及其他應付款 | (86) |
| – Deferred income tax liabilities | – 遞延所得稅負債 | (409) |
| – Bank loan | – 銀行貸款 | (174) |
| Total identifiable net assets | 可辨認淨資產總額 | 1,556 |
| Non-controlling interests | 非控股權益 | (747) |
| Goodwill | 商譽 | 2,317 |
| Total consideration | 總作價 | 3,126 |
| Acquisition-related costs (included in administrative expenses in the consolidated income statement) | 與收購有關費用(已列入損益表內的行政費用) | 75 |
| Cash paid | 現金支付 | 4,000 |
| Less: Cash and cash equivalents acquired | 減：購入現金及現金等價物 | (33) |
| Net cash outflow on acquisition | 購入業務現金流出量 | 3,967 |

16. Business combinations (continued)

(a) Call option over non-controlling interests

Pursuant to the share purchase agreement entered into between the Group and the shareholders of Sentron, Inc., the Group was granted a call option to acquire part or all of the remaining 48% equity interests in Sentron, Inc. The call option is divided into four batches, each representing 12% equity interests in Sentron, Inc. Each of the four batches will become exercisable after the years ending 31 December 2018, 2019, 2020 and 2021, respectively. The exercise price of each batch would be determined based on the performance targets for the respective financial years and the total consideration for the remaining 48% equity interests is capped at US\$4,000,000.

The fair value of the call option was determined by using the Monte Carlo simulation model with the following key assumptions:

| | | 31 December 12月31日 2017 | 22 February 2月22日 2017 |
|-----------------------------|-------------|-------------------------------|------------------------------|
| Risk-free interest rate | 無風險利率 | 1.85% – 2.24% | 1.55% – 1.85% |
| Volatility | 波幅 | 50% | 50% |
| Dividend yield | 股息率 | 0% | 0% |
| Price to sales ratio | 市銷率 | 1.0 | 0.99 |
| Expected option life (year) | 認股期權預期年期(年) | 1.4 – 4.0 | 1.5 – 4.5 |

(b) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of identifiable net assets in Sentron, Inc.

(c) Revenue and profit contribution

Sentron, Inc. contributed no revenues and net loss of US\$1,168,000 to the Group since acquisition date. If the acquisition had occurred on 1 January 2017, consolidated revenue and consolidated loss for the year ended 31 December 2017 would have been US\$82,464,000 and US\$10,552,000 respectively.

16. 業務合併(續)

(a) 非控股權益認購權

根據本集團與Sentron, Inc.股東訂立的購股協議，本集團獲授認股期權以收購Sentron, Inc.部分或全部餘下48%股本權益。該認股期權分為四批，各佔Sentron, Inc.股本權益的12%。四批認股期權各自分別於截至2018年、2019年、2020年及2021年12月31日止年度後可予行使。各批的行使價將根據相關財政年度的表現目標釐定，而餘下48%股本權益的總計作價上限為4,000,000美元。

認股期權的公平價值使用蒙特卡羅模擬模式按以下主要假設釐定：

(b) 非控股權益

非控股權益按其於Sentron, Inc.已確認的可辨認淨資產中的比例確認。

(c) 收入和利潤貢獻

所購入業務於加入本集團後沒有貢獻收入而貢獻淨虧損1,168,000美元。如該項收購發生於2017年1月1日，截至2017年12月31日止年度的合併收入和合併淨虧損應分別為82,464,000美元和10,552,000美元。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

17. Investments in associated companies

(a) Aggregated assets & liabilities and the results of the year

| | | Investments in associated companies | |
|--|----------|-------------------------------------|----------|
| | | 投資於聯營公司 | |
| | | 2017 | 2016 |
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| At 1 January | 於1月1日 | 493 | 552 |
| Share of results of associated companies | 應佔聯營公司盈虧 | 22 | (59) |
| At 31 December | 於12月31日 | 515 | 493 |

(b) Total assets & liabilities and the results of the year

The total assets (excluding goodwill) and liabilities together with the results of the year of the Group's associated companies, all of which are unlisted, are as follows:

17. 於聯營公司的投資

(a) 總資產及負債和年度業績

(b) 總資產及負債和年度業績

本集團於聯營公司(所有均為非上市公司)的總資產(不包括商譽)及負債和年度業績列載如下:

| Associated companies | Place of incorporation and operation | Principal activities | Particulars of issued shares | As at 31 December 2017 | | For the year ended 31 December 2017 | | | | |
|---|--------------------------------------|--|--|------------------------|----------------|-------------------------------------|---------------------|----------|---------------|---------------|
| | | | | 於2017年12月31日 | | 截至2017年12月31日止年度 | | | | |
| 聯營公司 | 註冊成立及營運地點 | 主要業務 | 已發行股份的詳情 | Non-current Assets | Current Assets | Non-current Liabilities | Current Liabilities | Revenue | Profit/(loss) | Interest held |
| | | | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Beijing LED Energy Management Technology Co. Ltd. 北京愛爾益地節能科技有限責任公司 | PRC 中國 | LED system design and contract installation LED系統設計及工程安裝 | Registered and paid-up capital of CNY20,000,000 人民幣20,000,000 已註冊及繳足資本 | 51 | 8,054 | - | 5,487 | 3,406 | (108) | 23.5% |
| Kitronix Limited 奇創力有限公司 | Hong Kong 香港 | Design, development, manufacturing & distribution of LCD modules 設計、開發、製造及分銷液晶顯示屏模組 | 9,500,000 ordinary shares of HK\$9,500,000 9,500,000股共 9,500,000港元的普通股 | 1,146 | 999 | - | 102 | - | 113 | 25.0% |

17. Investments in associated companies (continued)

(b) Total assets & liabilities and the results of the year (continued)

| Associated companies 聯營公司 | Place of incorporation and operation 註冊成立 及營運地點 | Principal activities 主要業務 | Particulars of issued shares 已發行股份 的詳情 | As at 31 December 2016 於2016年12月31日 | | | | For the year ended 31 December 2016 截至2016年12月31日止年度 | | |
|--|--|--|---|---|--|--|---|--|-------------------------------|--------------------------|
| | | | | Non- current Assets 非流動 資產 US\$'000 千美元 | Current Assets 流動 資產 US\$'000 千美元 | Non- current Liabilities 非流動 負債 US\$'000 千美元 | Current Liabilities 流動 負債 US\$'000 千美元 | Revenue 收入 US\$'000 千美元 | Loss 虧損 US\$'000 千美元 | Interest held 持有權益 |
| Beijing LED Energy Management Technology Co. Ltd. 北京愛爾益地節能科技 有限責任公司 | PRC 中國 | LED system design and contract installation LED系統設計及 工程安裝 | Registered and paid-up capital of CNY20,000,000 人民幣20,000,000 已註冊及繳足資本 | 49 | 6,922 | - | 4,245 | 1,979 | 177 | 23.5% |
| Kitronix Limited 奇創力有限公司 | Hong Kong 香港 | Design, development, manufacturing & distribution of LCD modules 設計、開發、製造及 分銷液晶顯示屏模組 | 9,500,000 ordinary shares of HK\$9,500,000 9,500,000股共 9,500,000港元的普通股 | 1,131 | 826 | - | 106 | - | 63 | 25.0% |

17. 於聯營公司的投資(續)

(b) 總資產及負債和年度業績(續)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

18. Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2017:

18. 附屬公司

於2017年12月31日，本集團的主要附屬公司列載如下：

| Name 公司名稱 | Place of incorporation and kind of legal entity 註冊成立地點及法定地位 | Principal activities and place of operation 主要業務及營運地點 | Particulars of capital 股本詳情 | Interest held 持有權益 |
|---|---|--|--|-----------------------|
| Solomon Systech Limited 晶門科技有限公司 | HK, LLC 香港·有限公司 | Design, development, sales of IC and system solutions, HK 設計、開發、銷售集成電路晶片 與系統解決方案·香港 | 188,585,271 ordinary shares of HK\$188,585,271 188,585,271股共188,585,271港元的普通股 | 100% |
| Ample Pacific Limited | BVI, LLC BVI·有限公司 | Investment holding, HK 投資控股·香港 | 50,000 ordinary shares of US\$1 each 50,000股每股面值1美元的普通股 | 100% |
| Broadwood Global Limited 博活環球有限公司 | BVI, LLC BVI·有限公司 | Investment holding, HK 投資控股·香港 | 50,000 ordinary shares of US\$1 each 50,000股每股面值1美元的普通股 | 100% |
| Cornway International Limited | BVI, LLC BVI·有限公司 | Investment holding, HK 投資控股·香港 | 50,000 ordinary shares of US\$1 each 50,000股每股面值1美元的普通股 | 100% |
| Mentor Ventures Limited | BVI, LLC BVI·有限公司 | Investment holding, HK 投資控股·香港 | 50,000 ordinary shares of US\$1 each 50,000股每股面值1美元的普通股 | 100% |
| Pac-Pacific Limited 通洋有限公司 | HK, LLC 香港·有限公司 | Investment holding, HK 投資控股·香港 | 2 ordinary shares of HK\$2 2股共2港元的普通股 | 100% |
| WE3 Ventures Limited | BVI, LLC BVI·有限公司 | Investment holding, HK 投資控股·香港 | 108,930 ordinary shares of US\$1,089 108,930股共1,089美元的普通股 | 100% |
| Jing Guang Semiconductors (Dongguan) Limited 東莞晶廣半導體有限公司 | PRC, LLC 中國·有限公司 | Manufacturing of IC, China 製造集成電路晶片·中國 | US\$7,500,000 registered and paid up capital 7,500,000美元已註冊及繳足資本 | 100% |
| Solomon Systech Inc. | USA, LLC 美國·有限公司 | Market research, USA 市場研究·美國 | 20,000 ordinary shares of US\$1 each 20,000股每股面值1美元的普通股 | 100% |
| Solomon Systech Japan Company Limited | Japan, LLC 日本·有限公司 | Market research, Japan 市場研究·日本 | 10,000 ordinary shares of JPY1,000 each 10,000股每股面值1千日元的普通股 | 100% |

18. Subsidiaries (continued)

18. 附屬公司(續)

| Name 公司名稱 | Place of incorporation and kind of legal entity 註冊成立地點及法定地位 | Principal activities and place of operation 主要業務及營運地點 | Particulars of capital 股本詳情 | Interest held 持有權益 |
|--|---|--|--|-----------------------|
| Solomon Systech Korea Limited | Korea, LLC 韓國, 有限公司 | Application R&D, Korea 應用開發, 韓國 | 2,000 ordinary shares of KRW5,000 each 2,000股每股面值5,000韓元的普通股 | 100% |
| Solomon Systech Pte. Ltd. | Singapore, LLC 新加坡共和國, 有限公司 | Design and distribution of IC, Singapore 設計及分銷集成電路晶片, 新加坡 | 480,000 ordinary shares of SGD1 each 480,000股每股面值1新加坡元的普通股 | 100% |
| Solomon Systech (Shenzhen) Limited 晶門科技(深圳)有限公司 | PRC, LLC 中國, 有限公司 | Design and distribution of IC, China 設計及分銷集成電路晶片, 中國 | HK\$8,000,000 registered and paid up capital 8,000,000港元已註冊及繳足資本 | 100% |
| Solomon Systech Taiwan Limited 晶門科技股份有限公司 | ROC, LLC 中華民國, 有限公司 | Market research, Taiwan 市場研究, 台灣 | 5,000,000 ordinary shares of NTD10 each 5,000,000股每股面值10新台幣的普通股 | 100% |
| Solomon Systech (UK) Limited | United Kindom, LLC 英國, 有限公司 | Design and distribution of IC, United Kingdom 設計及分銷集成電路晶片, 英國 | 1 ordinary shares of GBP1 each 1股每股面值1英鎊的普通股 | 100% |
| Systech Technology China Limited 晶門電子科技中國有限公司 | HK, LLC 香港, 有限公司 | Investment holding, HK 投資控股, 香港 | 100,000 ordinary shares of HK\$10,000 100,000股共10,000港元的普通股 | 100% |
| WE3 Technology Company Limited 維駿科技有限公司 | HK, LLC 香港, 有限公司 | Design, development & distribution of handset solutions, HK 設計、發展及分銷 手提電話解決方案, 香港 | 32,390,000 ordinary shares of HK\$32,390,000 32,390,000股共32,390,000港元的普通股 | 100% |
| Sentron, Inc. | Korea, LLC 韓國, 有限公司 | Application R&D, Korea 應用開發, 韓國 | 80,000 ordinary shares of KRW5,000 each 80,000股每股面值5,000韓元的普通股 | 52% |
| Solomon Systech (China) Limited 晶門科技(中國)有限公司 | PRC, LLC 中國, 有限公司 | Design and distribution of IC, China 設計及分銷集成電路晶片, 中國 | US\$10,000,000 registered and paid up capital 10,000,000美元已註冊及繳足資本 | 100% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

19. Available-for-sale financial assets

19. 可供出售財務資產

| | | 2017 | 2016 |
|-------------------------------|-----------|--------------|----------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Unlisted shares, at cost | 非上市股份·按成本 | 4,941 | 4,941 |
| Provision for impairment loss | 減值撥備 | (2,735) | (2,735) |
| | | 2,206 | 2,206 |

20. Cash and cash equivalents, short-term fixed deposits and bank deposits

20. 現金及現金等價物、短期定期存款及銀行存款

| | | 2017 | 2016 |
|---|------------------------|---------------|----------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| Cash at bank and in hand | 銀行存款及現金 | 18,547 | 22,685 |
| Short-term bank deposits ⁽ⁱ⁾ | 短期銀行存款 ⁽ⁱ⁾ | 4,800 | 1,145 |
| Cash and cash equivalents | 現金及現金等價物 | 23,347 | 23,830 |
| Short-term fixed deposits ⁽ⁱⁱ⁾ | 短期定期存款 ⁽ⁱⁱ⁾ | — | 727 |
| | | 23,347 | 24,557 |

(i) The effective interest rate on short-term bank deposits was 1.69% per annum (2016: 0.43% per annum); these deposits have an average original maturity of 90 days (2016: 1 day).

(ii) As at 31 December 2017, there was no deposits at bank classified as short-term fixed deposits. As at 31 December 2016, the effective interest rate on short-term fixed deposits was 1.5% per annum with an average original maturity of 92 days.

(i) 短期銀行存款的實際年利率為1.69% (2016: 年利率為0.43%) ; 該等存款的平均期限為90日 (2016: 1日)。

(ii) 於2017年12月31日, 概無銀行存款分類為短期定期存款。於2016年12月31日, 短期銀行存款的實際年利率為1.5%; 該等存款的平均期限為92日。

The carrying amounts of the Group's cash and cash equivalents, short-term fixed deposits and bank deposits are denominated in the following currencies:

本集團之現金及現金等價物、短期定期存款及銀行存款的賬面值按不同幣值分配如下:

| | | 2017 | 2016 |
|------------------|------|---------------|----------|
| | | US\$'000 | US\$'000 |
| | | 千美元 | 千美元 |
| USD | 美元 | 14,714 | 10,873 |
| CNY | 人民幣 | 7,404 | 10,161 |
| HKD | 港元 | 571 | 1,534 |
| Other currencies | 其他幣值 | 658 | 1,989 |
| | | 23,347 | 24,557 |

21. Inventories

21. 存貨

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|------------|-------------------------|-------------------------|
| Finished goods | 成品 | 2,806 | 3,285 |
| Raw materials and work in progress | 原材料及在製品 | 25,656 | 15,173 |
| | | 28,462 | 18,458 |
| Provision for obsolete or slow moving inventories | 過時或滯銷存貨的撥備 | (7,935) | (5,405) |
| | | 20,527 | 13,053 |

The cost of inventories recognised as an expense and included in cost of sales amounted to US\$47,486,000 (2016: US\$41,731,000).

確認為開支並計入銷售成本的存貨成本達47,486,000美元(2016：41,731,000美元)。

Movements on the provision for obsolete or slow moving inventories are as follows:

過時或滯銷存貨的撥備的變動分析如下：

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|------------|-------------------------|-------------------------|
| At 1 January | 於1月1日 | 5,405 | 6,849 |
| Scrap of inventories against provision | 存貨報廢扣減撥備 | (924) | (2,190) |
| Provision for obsolete or slow moving inventories | 過時或滯銷存貨的撥備 | 3,454 | 746 |
| At 31 December | 於12月31日 | 7,935 | 5,405 |

22. Trade and other receivables

22. 應收款及其他應收款

| | | Note 附註 | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|--------------|------------|-------------------------|-------------------------|
| Trade receivables | 應收款 | | 15,491 | 13,171 |
| Trade receivables from related parties | 關聯方應收款 | 33 | 1,696 | 1,465 |
| | | | 17,187 | 14,636 |
| Deposits, prepayments and other receivables | 訂金、預付款及其他應收款 | | 3,810 | 2,595 |
| Prepayments to related parties | 關聯方預付款 | 33 | 234 | 283 |
| Trade and other receivables – current portion | 應收款及其他應收款—流動 | | 21,231 | 17,514 |
| Prepayments and deposits – non-current portion | 預付款及訂金—非流動 | | 180 | 661 |
| | | | 21,411 | 18,175 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

22. Trade and other receivables (continued)

As at 31 December 2017, the Group's trade receivables from corporate customers were mainly on credit terms of 30 to 90 days. The ageing analysis of trade receivables not impaired based on overdue day is as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-------------|---------|-------------------------|-------------------------|
| Current | 即期 | 10,805 | 10,751 |
| 1-30 days | 1-30日 | 4,490 | 3,592 |
| 31-60 days | 31-60日 | 1,370 | 293 |
| 61-90 days | 61-90日 | 519 | - |
| 91-180 days | 91-180日 | 3 | - |
| | | 6,382 | 3,885 |
| | | 17,187 | 14,636 |

As at 31 December 2017, trade receivables of US\$6,382,000 (2016: US\$3,885,000) were considered past due if measured against the credit terms offered. As at 31 December 2017, all the overdue balances are not impaired since most of the overdue balances have been settled after the balance sheet date.

As at 31 December 2017 and 2016, no trade receivables were impaired and provided for.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|------------------|------|-------------------------|-------------------------|
| USD | 美元 | 17,717 | 15,601 |
| CNY | 人民幣 | 2,205 | 789 |
| HKD | 港元 | 921 | 1,072 |
| Other currencies | 其他幣值 | 568 | 713 |
| | | 21,411 | 18,175 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

22. 應收款及其他應收款(續)

於2017年12月31日，本集團對企業客戶之應收款信貸期主要為30至90日。未減值撥備的應收款以過期日起的賬齡分析如下：

於2017年12月31日，若以所給予的信貸期計算，逾期之應收款為6,382,000美元(2016：3,885,000美元)。於2017年12月31日，全部該等逾期未收之款項並未作減值，多數逾期未收之款項於結算日後已收訖。

於2017年及2016年12月31日，沒有應收款已被減值及撥備。

本集團之應收款及其他應收款的賬面值按不同幣值之分配如下：

於報告日的最高信貸風險為以上提及的每一類應收款的賬面值。本集團並沒持有任何附帶的抵押品。

23. Financial assets at fair value through profit or loss

23. 通過損益以反映公平價值的財務資產

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|----------|-------------------------|-------------------------|
| Non-current assets | 非流動資產 | | |
| Call option over non-controlling interests | 非控股權益認購權 | 788 | – |
| Current assets | 流動資產 | | |
| Marketable bonds | 可買賣債券 | 7,819 | 18,884 |
| Marketable funds | 可買賣基金 | 9,575 | 11,311 |
| Listed | 上市 | | |
| Equity securities | 股票 | 4,908 | 6,736 |
| Fund | 基金 | 68 | 54 |
| | | 23,158 | 36,985 |

Changes in fair values of FVTPL are recorded in finance income – net in the consolidated income statement (note 8).

FVTPL之公平值之變動記錄於綜合損益表中的投資收入－淨額(附註8)。

The Group's call option over non-controlling interests was valued at 31 December 2017 by an independent, professionally qualified valuer. The fair values of listed financial instruments are based on quoted market prices at the balance sheet date. The fair values of unlisted financial instruments are determined by reference to the dealer's quote or input from reputable financial institutions.

本集團的非控股權益認股期權於2017年12月31日由一位獨立專業合資格估值師進行估值。上市之金融工具之公平值是基於結算日的市場報價。非上市金融工具的公平值之釐定是取決於合適的參考發行商的報價或良好商譽的金融機構資料。

The carrying amounts of FVTPL are denominated in the following currencies:

FVTPL的賬面值按不同幣值之分配如下：

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|------------------|------|-------------------------|-------------------------|
| USD | 美元 | 17,042 | 27,566 |
| HKD | 港元 | 4,976 | 6,789 |
| Other currencies | 其他幣值 | 1,140 | 2,630 |
| | | 23,158 | 36,985 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

24. Share capital

24. 股本

| | | 2017 | | 2016 | |
|---------------------------------------|----------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | | Number of shares 股份數目 | US\$'000 千美元 | Number of shares 股份數目 | US\$'000 千美元 |
| Authorized: | 法定： | | | | |
| – Ordinary shares of HK\$0.10 each | – 每股面值0.10港元 的普通股 | 5,000,000,000 | 64,433 | 5,000,000,000 | 64,433 |
| Issued and fully paid: | 已發行及繳足： | | | | |
| At 1 January | 於1月1日 | 2,477,102,351 | 31,926 | 2,477,102,351 | 31,926 |
| Exercise of share options | 行使購股權 | 2,450,000 | 32 | – | – |
| At 31 December | 於12月31日 | 2,479,552,351 | 31,958 | 2,477,102,351 | 31,926 |

25. Equity compensation scheme

25. 股本權益報酬計劃

(a) The share option scheme

The Company adopted a share option scheme (the “2013 Share Option Scheme”) at the annual general meeting held on 28 May 2013. The terms of the 2013 Share Option Scheme are in accordance with the provisions of the Chapter 17 of the Listing Rules on the Stock Exchange. The 2013 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2013, being the date of adoption of such scheme by the shareholders of the Company. The Board shall be entitled at any time within 10 years commencing on 28 May 2013 to make an offer for the grant of an option to any qualifying participants.

The purpose of the 2013 Share Option Scheme is to provide the participants (directors, employees, advisers, consultants, agents, distributors, contractors, contract manufacturers, suppliers, service providers, customers, business partners, joint venture business partners, etc., of any member of the Group) with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole.

The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the 2013 Share Option Scheme or 30% of the issued share capital of the Company from time to time.

(a) 購股權計劃

本公司於2013年5月28日舉行的股東週年大會已採納一購股權計劃(「2013購股權計劃」)。2013購股權計劃的條款是遵照上市規則第17章的條文。2013購股權計劃由2013年5月28日(即本公司股東採納該購股權計劃之日)起生效，為期10年。董事會可以於2013年5月28日起10年內授出購股權予合資格參與者。

2013購股權計劃旨在給予合資格參與者(本集團成員之董事、員工、顧問、諮詢、代理、分銷商、承包商、承包製造商、供應商、服務提供者、客戶、商業夥伴、合營企業商業夥伴等)機會獲得本公司專有股份和鼓勵共同合作，為本公司及其股東整體利益而提升本公司價值。

根據2013購股權計劃所授出的所有購股權獲行使而可予發行的股份總數，不得超過於批准購股權計劃當日本公司已發行股本的10%或本公司不時已發行股本的30%。

25. Equity compensation scheme (continued)

(a) The share option scheme (continued)

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue.

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 21 days from the date of the offer (or such longer period as the Board may specify in writing). HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

The subscription price of share option shall be determined by the Board at its absolute discretion in accordance with the terms of the 2013 Share Option Scheme. The subscription price in respect of any particular option shall be no less than the higher of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

The total number of share options available for issue upon exercise of all share options to be granted under the 2013 Share Option Scheme as at the date of this annual report is 216,355,235, representing 8.7% of the issued shares of the Company. The number of share options outstanding as at 31 December 2017 was 31,600,000.

25. 股本權益報酬計劃(續)

(a) 購股權計劃(續)

每名參與者在任何12個月內獲授的購股權(包括已行使、註銷或尚未行使)獲行使時已經及即將發行的本公司股份總數，合計不得超過本公司已發行股份的1%。

購股權於建議日期起計21日期間(或董事會可書面訂明的較長期間)內可供合資格參與者接納。於接納購股權時，承授人須向本公司支付港幣1.00元。

在2013購股權計劃條文規定下，董事會具有絕對權力訂立購股權的認購價。任何個別購股權的認購價須為以下的較高者：(a)股份於授出日期在聯交所每日報價表所列收市價；及(b)股份在緊接授出日期前5個營業日在聯交所每日報價表所列平均收市價。

於本年報報告日，根據2013購股權計劃，倘所有可授與之購股權行使後，可予發行的股份數目為216,355,235股，佔本公司發行股份的8.7%。於2017年12月31日，合共有31,600,000股有效購股權未經行使。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

25. Equity compensation scheme (continued)

(a) The share option scheme (continued)

During the year, movements in the number of share options outstanding under the share option scheme and the related exercise prices are as follows:

25. 股本權益報酬計劃(續)

(a) 購股權計劃(續)

年內，關於購股權計劃尚未行使購股權數目的變動及其有關行使價列載如下：

| Grant date 授出日期 | Number of share options (in thousand units) 購股權數目(以千位計) | | | | | | Expiry date 到期日 |
|---------------------------------|--|--|----------------|------------------|---------------------------------------|--|---------------------------------|
| | Exercise price per share HKS 每股 行使價 港元 | Held on 1 January 2017 於2017年 1月1日 持有 | Granted 已授出 | Exercised 已行使 | Forfeited or Lapsed 已放棄 或已失效 | Held on 31 December 2017 於2017年 12月31日 持有 | |
| 9 October 2014 2014年10月9日 | 0.395 | 7,100 | - | - | (7,100) | - | 29 September 2017 2017年9月29日 |
| 9 October 2014 2014年10月9日 | 0.395 | 1,100 | - | (150) | - | 950 | 28 September 2018 2018年9月28日 |
| 30 March 2015 2015年3月30日 | 0.309 | 350 | - | - | - | 350 | 30 March 2018 2018年3月30日 |
| 30 March 2015 2015年3月30日 | 0.309 | 100 | - | - | - | 100 | 29 March 2019 2019年3月29日 |
| 2 October 2015 2015年10月2日 | 0.315 | 5,000 | - | (2,100) | - | 2,900 | 28 September 2018 2018年9月28日 |
| 2 October 2015 2015年10月2日 | 0.315 | 1,000 | - | (200) | (300) | 500 | 30 September 2019 2019年9月30日 |
| 11 January 2016 2016年1月11日 | 0.369 | 2,500 | - | - | (2,500) | - | 29 March 2019 2019年3月29日 |
| | | 2,500 | - | - | (2,500) | - | 31 December 2019 2019年12月31日 |
| | | 2,500 | - | - | - | 2,500 | 31 March 2020 2020年3月31日 |
| | | 2,500 | - | - | - | 2,500 | 31 December 2020 2020年12月31日 |
| | | 2,500 | - | - | - | 2,500 | 31 March 2021 2021年3月31日 |
| | | 2,500 | - | - | - | 2,500 | 31 December 2021 2021年12月31日 |
| 30 September 2016 2016年9月30日 | 0.305 | 2,400 | - | - | - | 2,400 | 30 September 2019 2019年9月30日 |
| | | 6,000 | - | - | - | 6,000 | 31 March 2020 2020年3月31日 |
| | | 6,000 | - | - | - | 6,000 | 31 March 2021 2021年3月31日 |
| 9 October 2017 2017年10月9日 | 0.370 | - | 2,400 | - | - | 2,400 | 30 September 2020 2020年9月30日 |
| | | 44,050 | 2,400 | (2,450) | (12,400) | 31,600 | |

25. Equity compensation scheme (continued)

(a) The share option scheme (continued)

The Company uses the Black-Scholes Valuation Model and Binomial Valuation Model to value the share options granted. The key parameters used in the Model and the corresponding fair values of the share options granted during 2017 and 2016 are listed below:

| Date of grant | | 2017 | 2016 | 2016 | 2016 |
|---|-----------------|-----------|--------------|--------------|-------------|
| 授出日期 | | 9 October | 30 September | 30 September | 11 January |
| | | 10月9日 | 9月30日 | 9月30日 | 1月11日 |
| Number of share options granted (in thousand units) | 已授出購股權數目 (以千位計) | 2,400 | 12,000 | 2,400 | 15,000 |
| Total share option value | 購股權總值 | | | | |
| – HK\$'000 | – 千港元 | 276 | 1,171 | 196 | 1,809 |
| – US\$'000 equivalent | – 千美元等值 | 36 | 151 | 25 | 233 |
| Share price at date of grant (HK\$) | 授出日期的股價(港元) | 0.370 | 0.305 | 0.305 | 0.325 |
| Exercise price (HK\$) | 行使價(港元) | 0.370 | 0.305 | 0.305 | 0.369 |
| Expected life of options (years) | 購股權的預期期限(年) | 3 | 2-4 | 2 | 2-5 |
| Annualized volatility | 年度波幅 | 48.0% | 51.1%-62.6% | 51.1% | 54.2%-59.7% |
| Risk free interest rate | 無風險利率 | 1.23% | 0.45% | 0.45% | 0.44% |
| Dividend payout rate | 派息率 | – | – | – | – |

The Black-Scholes Valuation Model and Binomial Valuation Model are used to estimate the fair values of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the Model used. The value of a share option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a share option.

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily closing share prices over the last two years.

(b) The share grant

During the year, the Company has awarded 2,212,000 ordinary shares of HK\$0.10 each in the capital of the Company (“Awarded Shares”) conditionally to the CEO (the “Beneficiary”). In the absence of an award share scheme and trustee upon successful vesting of the Awarded Shares, and subject to the Listing Rules, the beneficiary shall instruct an agent or a broker to purchase the Awarded Shares directly from the market, with the cash reserve made available by the Company.

The Group has adopted the requirements under HKFRS 2 to account for the equity compensation expenses of the shares granted at the date of grant at fair value.

25. 股本權益報酬計劃(續)

(a) 購股權計劃(續)

本公司使用畢蘇訂價模式及二項訂價模式計算已授出的購股權。於2017及2016年內已授出購股權的公平值及應用此模式的主要參考數據如下：

畢蘇訂價模式及二項訂價模式是用來估算歐式購股權的公平值。計算出的公平值受給定假設和模式自身限制而具有固有的主觀性及不確定。購股權的價值會隨著某些主觀假設的不同變數而改變。所採用的變數的任何改變可能會對購股權公平值的估算造成重大影響。

波幅乃基於過去波幅乃基於過去兩年每日股份收市價的統計分析之股份複合回報之標準差計算出來。

(b) 股份頒授

年內，本公司附條件地授予2,212,000股本公司每股面值0.10港元的普通股(「頒授股份」)予行政總裁(「受益人」)。頒授股份於成功歸屬時倘未有股份獎勵計劃及受託人的情況下，並於上市規則容許下，受益人將指令代理人或經紀以由本公司提供的現金儲備於市場直接購買頒授股份。

本集團已遵照香港財務報告準則第2號之要求，為股本權益報酬開支按股份授出日期的適用公平值入賬。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

26. Reserves

26. 儲備

| | | Share premium 股份溢價 US\$'000 千美元 | Merger reserve 合併儲備 US\$'000 千美元 | Exchange reserve 匯兌儲備 US\$'000 千美元 | Equity compensation reserve 股本權益報酬儲備 US\$'000 千美元 | Other reserve 其他儲備 US\$'000 千美元 | Accumulated losses 累計虧損 US\$'000 千美元 | Total 總計 US\$'000 千美元 |
|--|----------------|--|---|---|--|--|---|--------------------------------|
| At 1 January 2016 | 於2016年1月1日 | 83,400 | 2,082 | 419 | 17,246 | 230 | (26,821) | 76,556 |
| Comprehensive loss | 全面虧損 | | | | | | | |
| Loss for the year | 年內虧損 | - | - | - | - | - | (6,929) | (6,929) |
| Item that may be re-classified to profit or loss | 可能會重新分類至損益表的項目 | | | | | | | |
| - Currency translation differences | - 外幣換算差額 | - | - | (631) | - | - | - | (631) |
| Total comprehensive loss | 全面虧損總計 | - | - | (631) | - | - | (6,929) | (7,560) |
| Transactions with owners | 股東交易 | | | | | | | |
| Equity compensation | 股本權益報酬 | - | - | - | 77 | - | - | 77 |
| Total transactions with owners | 股東交易總計 | - | - | - | 77 | - | - | 77 |
| At 31 December 2016 | 於2016年12月31日 | 83,400 | 2,082 | (212) | 17,323 | 230 | (33,750) | 69,073 |
| At 1 January 2017 | 於2017年1月1日 | 83,400 | 2,082 | (212) | 17,323 | 230 | (33,750) | 69,073 |
| Comprehensive loss | 全面虧損 | | | | | | | |
| Loss for the year | 年內虧損 | - | - | - | - | - | (10,233) | (10,233) |
| Item that may be re-classified to profit or loss | 可能會重新分類至損益表的項目 | | | | | | | |
| - Currency translation differences | - 外幣換算差額 | - | - | (91) | - | - | - | (91) |
| Total comprehensive loss | 全面虧損總計 | - | - | (91) | - | - | (10,233) | (10,324) |
| Transactions with owners | 股東交易 | | | | | | | |
| Exercise of share options | 行使購股權 | 70 | - | - | - | - | - | 70 |
| Equity compensation | 股本權益報酬 | - | - | - | 369 | - | - | 369 |
| Total transactions with owners | 股東交易總計 | 70 | - | - | 369 | - | - | 439 |
| At 31 December 2017 | 於2017年12月31日 | 83,470 | 2,082 | (303) | 17,692 | 230 | (43,983) | 59,188 |

27. Deferred income tax

Deferred income tax is recognised using liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The following are the deferred tax liabilities recognised and movements thereon:

27. 遞延所得稅

遞延所得稅的確認是採用負債法，即基於資產及負債的稅項與綜合財務報表該稅項面值之間的暫時差額作全數撥備。

遞延稅項負債之確認及變動如下：

| | | Recognition of intangible assets 確認無形資產 US\$'000 千美元 |
|---|-------------------------------|---|
| At 1 January 2016 and 31 December 2016 | 於2016年1月1日及2016年12月31日 | - |
| Acquisition of a subsidiary (Note 16) | 收購一間附屬公司(附註16) | 409 |
| Credited to profit or loss | 計入損益表 | (43) |
| At 31 December 2017 | 於2017年12月31日 | 366 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US\$15,380,000 (2016: US\$13,044,000) in respect of losses amounting to US\$93,212,000 (2016: US\$79,054,000) that can be carried forward against future taxable profits. These tax losses have no expiry date.

因應稅項虧損之遞延所得稅資產會就未來應課稅溢利很有可能變現時作出確認。本集團未確認因應93,212,000美元(2016: 79,054,000美元)之稅項虧損的遞延所得稅資產15,380,000美元(2016: 13,044,000美元)，作為抵銷未來的應課稅溢利。該稅項虧損並無指定過期日。

28. Trade and other payables

28. 應付款及其他應付款

| | | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-------------------------------------|------------|------|-------------------------|-------------------------|
| | | 附註 | | |
| Trade payables | 應付款 | | 15,636 | 8,398 |
| Other payable to a related party | 關聯方其他應付款 | 33 | – | 55 |
| Accrued expenses and other payables | 應計開支及其他應付款 | | 7,696 | 5,306 |
| | | | 23,332 | 13,759 |

At 31 December 2017, the ageing analysis of the trade payables based on overdue day is as follows:

於2017年12月31日，應付款以逾期日期的賬齡分析如下：

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--------------|--------|-------------------------|-------------------------|
| Current | 即期 | 11,526 | 7,006 |
| 1–30 days | 1–30日 | 3,692 | 1,096 |
| 31–60 days | 31–60日 | 272 | 178 |
| 61–90 days | 61–90日 | – | 28 |
| Over 90 days | 超過90日 | 146 | 90 |
| | | 15,636 | 8,398 |

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

本集團之應付款及其他應付款的賬面值按不同幣值之分配如下：

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|------------------|------|-------------------------|-------------------------|
| USD | 美元 | 16,273 | 10,539 |
| CNY | 人民幣 | 2,783 | 1,021 |
| TWD | 台幣 | 2,826 | 225 |
| HKD | 港元 | 616 | 540 |
| GBP | 英鎊 | 562 | 710 |
| KRW | 韓元 | 248 | 520 |
| Other currencies | 其他幣值 | 24 | 204 |
| | | 23,332 | 13,759 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

29. Bank loan

At 31 December 2017, the Group had a mortgage bank loan of US\$116,000 in connection with the office property in Hsinchu, Taiwan. The bank borrowing matures by 14 January 2019 and bears an interest rate of long-term funding determined by the Council of Economic Planning and Development of Taiwan Government plus 0.41%.

The carrying amount of the bank borrowing approximated its fair value as it was subject to a floating rate and is wholly denominated in NTD.

At 31 December 2017, the Group had a non-current bank loan of US\$184,000 in connection with the newly acquired Korean subsidiary. The bank borrowing matures by 5 July 2019 and bears an interest rate of 1.25% per annum. The carrying amount approximated its fair value and was denominated in KRW.

30. Banking facilities

At 31 December 2017 and 31 December 2016, the Group had no unused banking facilities.

31. Cash used in operations

(a) Reconciliation of loss before income tax to cash used in operations

| | | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|-------------------------|-------|-------------------------|-------------------------|
| | | 附註 | | |
| Loss before income tax | 除稅前虧損 | | (10,302) | (7,380) |
| Depreciation of property, plant and equipment | 物業、廠房及設備的折舊 | 15 | 1,284 | 843 |
| Amortization of intangible assets | 無形資產攤銷 | 14 | 3,612 | 298 |
| Share of (profit)/loss of associated companies | 應佔聯營公司(盈)/虧 | 17(a) | (22) | 59 |
| Finance costs | 理財成本 | 8 | 4 | 4 |
| Equity compensation | 股本權益報酬 | 25 | 369 | 77 |
| (Gain)/loss on disposal of intangible assets and property, plant and equipment | 出售無形資產及物業、廠房及設備的(收益)/虧損 | 7 | (24) | 1 |
| Gain on disposal of FVTPL | 出售FVTPL的收益 | 8 | (809) | (1,530) |
| Fair value (gain)/loss from FVTPL | FVTPL的公平值(收益)/虧損 | 8 | (1,972) | 201 |
| Interest income | 利息收入 | 8 | (814) | (1,511) |
| Dividend income | 股息收入 | 8 | (347) | (845) |
| | | | (9,021) | (9,783) |
| (Increase)/decrease in trade and other receivables | 應收款及其他應收款(增加)/減少 | | (2,974) | 52 |
| Increase in inventories | 存貨增加 | | (7,461) | (3,618) |
| Increase in trade and other payables | 應付款及其他應付款增加 | | 9,237 | 194 |
| Cash used in operations | 經營使用的現金 | | (10,219) | (13,155) |

29. 銀行貸款

於2017年12月31日，本集團有一項台灣新竹辦公室的按揭貸款116,000美元。該項銀行貸款到期日為2019年1月14日，貸款利率乃根據台灣政府行政院經濟建設委員會所訂的中長期資金運用利率加0.41%。

因承受浮動利率並全部以台幣呈列，銀行貸款的賬面值與公平值接近。

於2017年12月31日，本集團有一項非流動銀行貸款184,000美元歸屬於新收購的韓國子公司。該項銀行貸款到期日為2019年7月5日，貸款年利率為1.25%。賬面值與其公平值相若，並以韓元列值。

30. 銀行信貸

於2017年12月31日及2016年12月31日，本集團並沒有未用的銀行信貸額。

31. 經營使用的現金

(a) 除稅前虧損與經營所使用的現金之對賬

31. Cash used in operations (continued)

(b) Proceeds from disposal of intangible assets and property, plant and equipment

| | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|------|-------------------------|-------------------------|
| | 附註 | | |
| Net book amount | | 79 | 4 |
| Gain/(loss) on disposal of intangible assets and property, plant and equipment | 7 | 24 | (1) |
| Proceeds from disposal of intangible assets and property, plant and equipment | | 103 | 3 |

(c) Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of the liabilities arising from financing activities for each of the years presented.

31. 經營使用的現金 (續)

(b) 出售無形資產及物業、廠房及設備的所得款項

| | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-------------------------|------|-------------------------|-------------------------|
| | 附註 | | |
| 賬面淨值 | | 79 | 4 |
| 出售無形資產及物業、廠房及設備的收益／(虧損) | 7 | 24 | (1) |
| 出售無形資產及物業、廠房及設備的所得款項 | | 103 | 3 |

(c) 融資活動產生之負債對賬

下表載列各呈報年度的融資活動所產生負債之分析。

| | | Borrowings 貸款 US\$'000 千美元 |
|------------------------------|--------------|-------------------------------------|
| As at 1 January 2016 | 於2016年1月1日 | (270) |
| Cash flows | 現金流 | 77 |
| Foreign exchange adjustments | 匯兌差額 | — |
| As at 31 December 2016 | 於2016年12月31日 | (193) |
| Cash flows | 現金流 | 67 |
| Acquisition of a subsidiary | 收購一間附屬公司 | (174) |
| Foreign exchange adjustments | 匯兌差額 | 1 |
| As at 31 December 2017 | 於2017年12月31日 | (299) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|-------------------------------|----------|-------------------------|-------------------------|
| Property, plant and equipment | 物業、廠房及設備 | 309 | 337 |

(b) Operating lease commitments – the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|--|-------------|-------------------------|-------------------------|
| Not later than 1 year | 不超過一年 | 1,061 | 1,684 |
| Later than 1 year and not later than 5 years | 超過一年，但不超過五年 | 296 | 1,032 |
| | | 1,357 | 2,716 |

Aside from the aforesaid, there was no other material capital commitment or contingent liability.

33. Related parties transactions

China Electronics Corporation, a state-owned information technology conglomerate under the administration of the central government of the PRC, through its wholly owned subsidiary Huada Semiconductor Co. Ltd, owns approximately 28.5% of the issued shares of the Company and is thus a substantial shareholder of the Company. Transactions between the Group and the subsidiaries or associates of CEC are regarded as transactions with related parties.

The following transactions were carried out with related parties:

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---------------------|----------|-------------------------|-------------------------|
| Sales: | 銷售額： | | |
| Subsidiaries of CEC | CEC的附屬公司 | 7,797 | 3,865 |
| Purchases: | 採購： | | |
| Subsidiaries of CEC | CEC的附屬公司 | 336 | 390 |

32. 承擔

(a) 資本承擔

於結算日，已商定合約但尚未動用的資本開支列載如下：

(b) 經營租賃承擔—本集團為承租人

根據不可撤銷經營租賃，未來最低租金總額列載如下：

除上述已披露者外，集團概無其他重大資本承擔或或然負債。

33. 關聯方交易

中國電子信息產業集團有限公司是直接隸屬於中國中央政府管理的國有電子資訊技術企業集團，通過其全資附屬公司華大半導體有限公司擁有約28.5%本公司之發行股份，乃本公司之主要股東。本集團與CEC附屬公司或其聯繫人的交易構成關聯方交易。

以下交易為關聯方之交易：

33. Related parties transactions (continued)

The following were year-end balances arising from sales/purchases:

| | | Note | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|--------------------|------|-------------------------|-------------------------|
| | | 附註 | | |
| Trade receivables: Subsidiaries of CEC | 應收款： CEC的附屬公司 | 22 | 1,696 | 1,465 |
| Prepayments: Subsidiaries of CEC | 預付款： CEC的附屬公司 | 22 | 234 | 283 |
| Other payable: Subsidiary of CEC | 其他應付款： CEC的附屬公司 | 28 | — | 55 |

33. 關聯方交易(續)

由銷售／採購構成的年終賬目：

34. Balance sheet and reserves of the Company

(a) Balance sheet

| | | 2017 US\$'000 千美元 | 2016 US\$'000 千美元 |
|---|-----------------------------|-------------------------|-------------------------|
| ASSETS | 資產 | | |
| Non-current assets | 非流動資產 | | |
| Investments in subsidiaries | 於附屬公司的投資 | 19,201 | 41,805 |
| | | 19,201 | 41,805 |
| Current assets | 流動資產 | | |
| Trade and other receivables | 應收款及其他應收款 | 130 | 779 |
| Amounts due from subsidiaries | 應收附屬公司款 | 56,154 | 47,979 |
| Financial assets at fair value through profit or loss | 通過損益以反映公平 價值的財務資產 | 22,370 | 36,985 |
| Short-term fixed deposit | 短期定期存款 | — | 606 |
| Cash and cash equivalents | 現金及現金等價物 | 2,581 | 4,838 |
| | | 81,235 | 91,187 |
| Total assets | 總資產 | 100,436 | 132,992 |
| EQUITY | 權益 | | |
| Capital and reserves attributable to the equity holders of the Company | 本公司權益持有人應佔 資本及儲備 | | |
| Share capital | 股本 | 31,958 | 31,926 |
| Reserves | 儲備 | 67,962 | 99,989 |
| Total equity | 總權益 | 99,920 | 131,915 |
| LIABILITIES | 負債 | | |
| Current liabilities | 流動負債 | | |
| Amounts due to subsidiaries | 應付附屬公司款 | 241 | 877 |
| Accrued expenses and other payables | 應計開支及其他應付款 | 186 | 111 |
| Income tax | 所得稅 | 89 | 89 |
| | | 516 | 1,077 |
| Total liabilities | 總負債 | 516 | 1,077 |
| Total equity and liabilities | 權益及負債總額 | 100,436 | 132,992 |

34. 本公司資產負債表及儲備

(a) 資產負債表

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

綜合財務報表附註(續)

34. Balance sheet and reserves of the Company (continued)

(b) Reserves

| | | Share premium US\$'000 千美元 | Equity compensation reserve 股本權益 報酬儲備 US\$'000 千美元 | Accumulated losses 累計虧損 US\$'000 千美元 | Total 總計 US\$'000 千美元 |
|---------------------------------------|---------------|-------------------------------------|--|--|--------------------------------|
| At 1 January 2016 | 於2016年1月1日 | 109,014 | 17,246 | (26,633) | 99,627 |
| Comprehensive income | 全面收入 | | | | |
| Profit for the year | 年內溢利 | – | – | 285 | 285 |
| Transactions with owners | 股東交易 | | | | |
| Equity compensation | 股本權益報酬 | – | 77 | – | 77 |
| Total transactions with owners | 股東交易總計 | – | 77 | 285 | 362 |
| At 31 December 2016 | 於2016年12月31日 | 109,014 | 17,323 | (26,348) | 99,989 |
| At 1 January 2017 | 於2017年1月1日 | 109,014 | 17,323 | (26,348) | 99,989 |
| Comprehensive loss | 全面虧損 | | | | |
| Loss for the year | 年內虧損 | – | – | (32,466) | (32,466) |
| Transactions with owners | 股東交易 | | | | |
| Exercise of share options | 行使購股權 | 70 | – | – | 70 |
| Equity compensation | 股本權益報酬 | – | 369 | – | 369 |
| Total transactions with owners | 股東交易總計 | 70 | 369 | (32,466) | (32,027) |
| At 31 December 2017 | 於2017年12月31日 | 109,084 | 17,692 | (58,814) | 67,962 |

34. 本公司資產負債表及儲備(續)

(b) 儲備

35. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 13 March 2018.

35. 綜合財務報表審批

本綜合財務報表已於2018年3月13日經董事會審批。

FIVE-YEAR FINANCIAL SUMMARY

五年財務摘要

| | | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------------------|-----------------------|-------------------|--------|--------|--------|-------|
| | | US\$ million 百萬美元 | | | | |
| Sales | 銷售額 | 82.5 | 68.4 | 70.9 | 60.1 | 55.2 |
| Gross profit | 毛利 | 29.3 | 23.5 | 23.2 | 20.8 | 21.0 |
| Net profit/(loss) | 純利/(虧損)淨額 | (10.3) | (6.9) | (6.4) | (3.0) | 1.3 |
| Assets and liabilities | | 資產及負債 | | | | |
| – Total assets | – 總資產 | 116.2 | 115.6 | 123.4 | 130.1 | 129.0 |
| – Total liabilities | – 總負債 | 24.4 | 14.6 | 14.9 | 14.9 | 11.1 |
| – Shareholders' funds | – 股東權益 | 91.8 | 101.0 | 108.5 | 115.3 | 117.8 |
| | | US cents 美仙 | | | | |
| Earnings/(loss) per share | 每股盈利/(虧損) | | | | | |
| – Basic ⁽ⁱ⁾ | – 基本 ⁽ⁱ⁾ | (0.41) | (0.28) | (0.26) | (0.12) | 0.05 |
| – Diluted ⁽ⁱⁱ⁾ | – 攤薄 ⁽ⁱⁱ⁾ | (0.41) | (0.28) | (0.26) | (0.12) | 0.05 |
| Net assets per share ⁽ⁱ⁾ | 每股資產淨值 ⁽ⁱ⁾ | 3.70 | 4.08 | 4.39 | 4.68 | 4.79 |

(i) The basic earnings/loss and net assets per share are based on the weighted average of 2,457,154,439, 2,462,430,618, 2,469,461,802, 2,477,102,351 and 2,478,135,913, ordinary shares in issue during each of the years ended 31 December 2013, 2014, 2015, 2016 and 2017 respectively.

(ii) For 2013, 2014, 2015, 2016 and 2017, the diluted earnings/loss per share information is based on 2,465,042,003, 2,462,430,618, 2,469,461,802, 2,477,102,351 and 2,478,135,913 ordinary shares respectively, which are the adjusted weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential share options outstanding during the year.

(i) 每股基本盈利/虧損及每股資產淨值是分別根據截至2013年、2014年、2015年、2016年及2017年12月31日止年度各年的已發行普通股加權平均數2,457,154,439股、2,462,430,618股、2,469,461,802股、2,477,102,351股及2,478,135,913股計算。

(ii) 於2013年、2014年、2015年、2016年及2017年，每股攤薄盈利/虧損的資料分別按2,465,042,003股、2,462,430,618股、2,469,461,802股、2,477,102,351股及2,478,135,913股普通股計算，而每股攤薄盈利/虧損乃根據假設年內所有尚未行使購股權已作轉換的調整後已發行加權平均普通股計算。

DEFINITIONS AND GLOSSARY

| | |
|------------------------------|---|
| 2013 Share Option Scheme | The share option scheme approved by shareholders for adoption at the annual general meeting held on 28 May 2013 |
| AMEPD | Active Matrix Electrophoretic Display |
| AMOLED | Active Matrix Organic Light Emitting Diode |
| BJ-LED | Beijing LED Energy Management Technology Co. Ltd**, a company incorporated in the PRC with limited liability |
| Board | Board of Directors |
| BVI | The British Virgin Islands |
| Cayman Islands Companies Law | Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| CEACI | CEAC International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CECL, and a connected person of the Company |
| CEC | China Electronics Corporation, a state-owned information technology conglomerate under the administration of the central government of the PRC, a substantial shareholder of the Company through its interests in Huada |
| CECL | 深圳中電國際信息科技有限公司 (CECL Technology Co., Ltd.**), a company established in the PRC and an indirect subsidiary of the CEC, and a connected person of the Company |
| China | Mainland China, for the purpose of this report, excludes Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan |
| Code Provision(s) | Code provision(s) in the Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| COSO | Committee of Sponsoring Organisation of the Treadway Commission is a private sector initiative that has issued internationally recognised internal control frameworks |
| CNY | Chinese Yuan, Renminbi |
| Company/Solomon Systech | Solomon Systech (International) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| Director(s) | The director(s) of the Company |
| EPD | Electrophoretic Display |
| ESL | Electronic Shelf Label |
| FHD | Full High Definition, a display resolution standard of 1920 x 1080 pixels |
| FVTPL | Financial assets at fair value through profit or loss |
| FWVGA | Full Wide Video Graphics Array, a display resolution standard of 854 x 480 pixels |
| Group | The Company and its subsidiaries |
| HD | High Definition, a display resolution standard of 1280 x 720 pixels |
| HES | 北京華大九天軟件有限公司 (Beijing Huada Empryan Software Co., Ltd.**), a company established in the PRC, and a connected person of the Company |
| HK\$/HKD | Hong Kong dollars |
| Hong Kong/HK/HKSAR | Hong Kong Special Administrative Region of the PRC |
| HKAS | Hong Kong Accounting Standards |
| HKFRS | Hong Kong Financial Reporting Standards, or collectively for HKAS and Hong Kong Financial Reporting Standards |

釋義及詞彙

| | |
|-----------|--|
| 2013購股權計劃 | 於2013年5月28日舉行之股東週年大會上取得股東批准採納的購股權計劃 |
| AMEPD | 主動矩陣電泳顯示 |
| AMOLED | 主動矩陣有機發光二極體 |
| BJ-LED | 北京愛爾益地節能科技有限責任公司，於中國註冊成立之有限公司 |
| 董事會 | 董事會 |
| BVI | 英屬處女群島 |
| 開曼群島公司法 | 開曼群島公司法(1961年法律3，經綜合及修訂) |
| CEACI | 中國電子器材國際有限公司，於香港註冊成立之有限公司，為CECI的全資附屬公司及本公司的關連人士 |
| 中國電子／CEC | 中國電子信息產業集團有限公司，一家直接隸屬於中國中央政府管理的國有電子信息技術企業集團，通過控制華大的權益為本公司之主要股東 |
| CECI | 深圳中電國際信息科技有限公司，一家於中國成立的公司，為中國電子集團之間接附屬公司及本公司的關連人士 |
| 中國 | 中國大陸，就本報告而言，不包括中國香港及澳門特別行政區及台灣 |
| 守則條文 | 上市規則附錄14所載之企業管治守則中的守則條文 |
| COSO | Committee of Sponsoring Organisation of the Treadway Commission是一項私營計劃，曾發表獲國際認可的內部監管架構 |
| 人民幣 | 中國元、人民幣 |
| 本公司／晶門科技 | Solomon Systech (International) Limited，一家成立於開曼群島的有限公司，其股票於聯交所主板上市 |
| 董事 | 本公司之董事 |
| EPD | 電泳顯示 |
| 電子貨架標籤 | 電子貨架標籤 |
| 全高清/FHD | 全高清，是一種顯示解像度的標準，解像度為1920 x 1080像素 |
| FVTPL | 通過損益以反映公平價值的財務資產 |
| FWVGA | 全寬視頻圖形陣列，是一種顯示解像度的標準，解像度為854 x 480像素 |
| 本集團 | 本公司及其附屬公司 |
| 高清/HD | 高清，是一種顯示解像度的標準，解像度為1280 x 720像素 |
| 華大九天 | 北京華大九天軟件有限公司，一家於中國成立的公司，為本公司的關連人士 |
| 港元 | 香港元 |
| 香港 | 中國香港特別行政區 |
| 香港會計準則 | 香港會計準則 |
| 香港財務報告準則 | 香港財務報告準則，或香港會計準則及香港財務報告準則的統稱 |

DEFINITIONS AND GLOSSARY (continued)

| | |
|--------------------|---|
| Huada | Huada Semiconductors Co.Ltd., a PRC company with limited liability to consolidate all IC businesses under CEC group. It is a substantial shareholder of the Company |
| IC | Integrated Circuit |
| IGZO | A semiconductor material consisting of indium (In), gallium (Ga), zinc (Zn) and oxygen (O) |
| IP | Intellectual Property |
| JPY | Japanese Yen |
| KRW | Korean Won |
| LCD | Liquid Crystal Display |
| Listing Rules | The Rules Governing the Listing of Securities on the Stock Exchange |
| LTPS | Low Temperature Polysilicon, a technology for the manufacturing of TFT-LCD |
| LLC | Limited liabilities company |
| MIPI | Mobile Industry Processor Interface |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| NTD | New Taiwan dollars |
| OLED | Organic Light Emitting Diode |
| Panda-FPD | Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.**, a company established in the PRC with limited liability, is a subsidiary of Nanjing Huadong Electronics Information & Technology Co., Ltd.** |
| Panda-LCD | Nanjing CEC Panda LCD Technology Co., Ltd.**, a company incorporated in the PRC with limited liability, is an associate of CEC |
| PMOLED | Passive Matrix Organic Light Emitting Diode |
| POLED | Plastic Organic Light Emitting Diode |
| PRC | The People's Republic of China, for the purpose of this report, excludes Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan |
| PwC HK | PricewaterhouseCoopers, the independent auditor of the Company |
| R&D | Product design, development and engineering |
| ROC | The Republic of China |
| S&D | Selling and Distribution |
| SFO | Securities and Futures Ordinance |
| SGD | Singapore dollars |
| Singapore | The Republic of Singapore |
| SSL | Solomon Systech Limited, a company incorporated in Hong Kong with limited liability and is the major wholly-owned operating subsidiary of the Company |
| TDDI | Touch and Display Driver Integration |
| TFT | Thin Film Transistor |
| the Stock Exchange | The Stock Exchange of Hong Kong Limited |
| UHD | Ultra high definition ((UHD or 4K/8K) is a display resolution standard of at least 3840 x 2160 pixels (8.3 megapixels; 4K) |
| UK | United Kingdom |
| USA | United States of America |
| US\$/USD | US dollars |

** for identification purpose only

釋義及詞彙(續)

| | |
|-------------|--|
| 華大 | 華大半導體有限公司，一家CEC 為整合旗下IC 企業而組建於中國的有限公司，乃本公司之主要股東 |
| IC | 集成電路晶片 |
| IGZO | 一種半導體物料，包含銮、鎘、鋅及氧 |
| 知識產權 | 知識產權 |
| 日元 | 日本元 |
| 韓元 | 韓國元 |
| LCD | 液晶顯示器 |
| 上市規則 | 聯交所證券上市規則 |
| LTPS | 低溫多晶矽，一種製造薄膜電晶體液晶顯示器的技術 |
| 有限公司 | 有限公司 |
| MIPI | 移動行業處理器界面 |
| 標準守則 | 上市規則附錄10所載之上市發行人董事進行證券交易的標準守則 |
| 新台幣 | 新台幣 |
| OLED | 有機發光二極體 |
| 熊貓平板顯示 | 南京中電熊貓平板顯示科技有限公司，一家於中國註冊成立之有限責任公司，乃南京華東電子信息科技股份有限公司的附屬公司 |
| 熊貓液晶 | 南京中電熊貓液晶顯示科技有限公司，於中國註冊成立之有限公司，CEC的聯繫人士 |
| PMOLED | 被動矩陣有機發光二極體 |
| POLED | 塑膠有機發光二極體 |
| 中國 | 中華人民共和國，就本報告而言，不包括中國香港及澳門特別行政區及台灣 |
| 羅兵咸永道香港 | 羅兵咸永道會計師事務所，本公司的獨立核數師 |
| 工程開發／研發／R&D | 產品設計、開發及工程 |
| ROC | 中華民國 |
| 銷售及分銷 | 銷售及分銷 |
| SFO | 證券及期貨條例 |
| 新加坡元 | 新加坡元 |
| 新加坡 | 新加坡共和國 |
| 晶門香港 | 晶門科技有限公司，於香港註冊成立之有限公司，為本公司主要營運全資附屬公司 |
| TDDI | 觸控與顯示驅動器集成 |
| TFT | 薄膜電晶體 |
| 聯交所 | 香港聯合交易所有限公司 |
| UHD | 超高清（UHD, 4K/8K）是一種顯示解析度的標準，最低為3840 x 2160像素（8.3百萬像素；4K） |
| 英國 | 英國 |
| 美國 | 美利堅合眾國 |
| 美元 | 美國元 |

CORPORATE AND SHAREHOLDER INFORMATION

公司及股東資料

Financial Calendar

Financial Year End

31 December

Announcement of Annual Results

13 March 2018

Share Listing

Listing Venue and Date

Main Board of The Stock Exchange of Hong Kong Limited
8 April 2004

HK Stock Code

2878

Board Lot

2,000 shares

Trading Currency

HKD

Issued Shares

2,479,552,351 (as at 31 December 2017)

Principal Share Registrar and Transfer Agent

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Center
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Website: www.tricoris.com

Independent Auditor

PricewaterhouseCoopers

財務日誌

財政年度結算日

12月31日

公佈全年業績

2018年3月13日

股份上市資料

上市地點及日期
香港聯合交易所有限公司主板
2004年4月8日

香港股份編號

2878

買賣單位

2,000股

交易貨幣

港元

已發行股份

2,479,552,351 (於2017年12月31日)

股份過戶登記總處

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
開曼群島

香港股份過戶登記分處

卓佳證券登記有限公司
香港
皇后大道東183號
合和中心22樓
電話：(852) 2980 1333
傳真：(852) 2810 8185
網址：www.tricoris.com

獨立核數師

羅兵咸永道會計師事務所

Solicitors

Reed Smith Richards Butler

Board Members

Executive Directors

Dr. Yeh Tsuei Chi (*Chief Executive Officer*)

Mr. Lo Wai Ming

Non-executive Directors

Mr. Li Rongxin (*Chairman*)

Dr. Li Jun

Mr. Zhao Guiwu

Independent Non-executive Directors

Mr. Leung Heung Ying

Mr. Sheu Wei Fu

Mr. Yiu Tin Chong, Joseph

Authorized Representatives

Dr. Yeh Tsuei Chi

Mr. Ng Sui Wa, Thomas

Company Secretary & Qualified Accountant

Mr. Ng Sui Wa, Thomas *FCCA, ACPA, FCA*

Corporate Communications/Investor Relations

Ms. Jessica Lee

Corporate Communications Manager

Tel: (852) 2207 1672

Email: communication@solomon-systech.com

Principal Office

6/F., No.3 Science Park East Avenue

Hong Kong Science Park

Shatin, New Territories

Hong Kong

Tel: (852) 2207 1111

Fax: (852) 2267 0800

Website

www.solomon-systech.com

法律顧問

禮德齊伯禮律師行

董事成員

執行董事

葉垂奇博士 (*行政總裁*)

盧偉明先生

非執行董事

李榮信先生 (*主席*)

李峻博士

趙貴武先生

獨立非執行董事

梁享英先生

許維夫先生

姚天從先生

授權代表

葉垂奇博士

吳瑞華先生

公司秘書及合資格會計師

吳瑞華先生 *FCCA, ACPA, FCA*

企業傳訊／投資者關係

李雅妮女士

企業傳訊經理

電話：(852) 2207 1672

電郵：communication@solomon-systech.com

總辦事處

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新界沙田

香港科學園

科技大道東3號6樓

電話：(852) 2207 1111

傳真：(852) 2267 0800

網址

www.solomon-systech.com

This 2017 Annual Report (bilingual version in English and Chinese) has been posted on the Company's website at www.solomon-systech.com.

Shareholders who have chosen to receive the Company's corporate communications (including but not limited to annual reports, summary financial reports (where applicable), interim reports, summary interim reports (where applicable), notices of meeting, listing documents, circulars and proxy forms) via the Company's website and for any reason have difficulty in gaining access to the Annual Report posted on the Company's website will promptly upon request be sent by post the Annual Report in printed form free of charge.

Shareholders may at any time change their choice of means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Annual Report or change their choice of means of receipt of the Corporate Communications by sending reasonable notice in writing to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong or by sending an email to solomon2878-ecom@hk.tricorglobal.com.

本2017年報的中英文雙語合併本已登載於本公司網站 www.solomon-systech.com。

選擇透過本公司網站收取本公司的公司通訊(其中包括但不限於年報、財務摘要報告(如適用)、中期報告、中期摘要報告(如適用)、會議通告、上市文件、通函及代表委任表格),及因任何理由以致在接收載於本公司網站的年報上出現困難的股東,可即時要求以郵寄方式獲免費發送年報的印刷本。

股東可隨時更改收取本公司的公司通訊方式。

股東可在給予本公司合理時間的書面通知,要求索取年報的印刷本或更改收取本公司之公司通訊的方式,該書面通知應交予本公司之香港股份過戶登記分處—卓佳證券登記有限公司,地址為香港皇后大道東183號合和中心22樓,或將該通知電郵至 solomon2878-ecom@hk.tricorglobal.com。



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www.iOne.com.hk

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www.solomon-systech.com

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本年報以環保紙印製