



# GLORY MARK HI-TECH (HOLDINGS) LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8159



## INTERIM REPORT 2016

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## INTERIM RESULTS

The board of directors (the “Directors” or “Board”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months (the “Second Quarter”) and six months (the “Half-Year”) ended 30 June 2016 (collectively, the “Periods”) together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	75,073	73,919	138,832	138,117
Cost of sales		(65,688)	(67,745)	(122,813)	(127,163)
Gross profit		9,385	6,174	16,019	10,954
Other income		724	689	1,214	1,328
Selling and distribution expenses		(3,042)	(2,623)	(5,395)	(5,238)
Administrative expenses		(8,975)	(6,283)	(16,780)	(12,414)
(Loss) before taxation	5	(1,908)	(2,043)	(4,942)	(5,370)
Income tax expenses	6	(589)	(472)	(1,001)	(934)
(Loss) for the period		(2,497)	(2,515)	(5,943)	(6,304)
<b>Other comprehensive (expense)/income for the period:</b>					
Exchange differences arising from translation of foreign operations		(709)	912	(112)	76
Total comprehensive (expense) for the period		(3,206)	(1,603)	(6,055)	(6,228)
(Loss) for the period attributable to:					
– Equity holders of the Company		(2,581)	(2,551)	(5,382)	(6,454)
– Non-controlling interests		84	36	(561)	150
		(2,497)	(2,515)	(5,943)	(6,304)
Total comprehensive income/(expense) attributable to:					
– Equity holders of the Company		(3,290)	(1,639)	(5,494)	(6,378)
– Non-controlling interests		84	36	(561)	150
		(3,206)	(1,603)	(6,055)	(6,228)
(Loss) per share					
Basic	7	(HK0.40 cents)	(HK0.40 cents)	(HK0.84 cents)	(HK1.01 cents)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	58,285	60,501
Prepaid lease payments		8,249	8,450
Investment properties	9	11,210	11,210
Club debenture	10	560	560
Deposit for land use rights		618	626
Deposits paid for acquisition of property, plant and equipment		603	–
		<b>79,525</b>	81,347
<b>CURRENT ASSETS</b>			
Inventories		17,133	18,040
Trade and other receivables	11	67,904	72,689
Prepaid lease payments		225	228
Bank balances and cash		88,568	91,749
		<b>173,830</b>	182,706
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	81,322	79,818
Amounts due to directors		665	1,330
Taxation payable		30,446	29,528
		<b>112,433</b>	110,676
<b>NET CURRENT ASSETS</b>			
		<b>61,397</b>	72,030
<b>NET ASSETS</b>			
		<b>140,922</b>	153,377
<b>CAPITAL AND RESERVES</b>			
Share capital	13	6,400	64,000
Reserves		133,907	88,201
Equity attributable to owners of the Company		140,307	152,201
Non-controlling interests		615	1,176
<b>Total Equity</b>		<b>140,922</b>	153,377

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share Capital	Merger Reserve	Translation Reserve	Contributed Surplus	Retained Profits	Sub-total	Non- Controlling Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2015	64,000	680	12,118	-	97,244	174,042	951	174,993
Loss for the period	-	-	-	-	(6,454)	(6,454)	150	(6,304)
Other comprehensive income	-	-	76	-	-	76	-	76
Total comprehensive (expense)/income for the period	-	-	76	-	(6,454)	(6,378)	150	(6,228)
Dividend recognized as distribution	-	-	-	-	(1,920)	(1,920)	-	(1,920)
As at 30 June 2015	64,000	680	12,194	-	88,870	165,744	1,101	166,845
<b>As at 1 January 2016</b>	<b>64,000</b>	<b>680</b>	<b>9,885</b>	<b>-</b>	<b>77,636</b>	<b>152,201</b>	<b>1,176</b>	<b>153,377</b>
Loss for the period	-	-	-	-	(5,382)	(5,382)	(561)	(5,943)
Capital reduction	(57,600)	-	-	57,600	57,600	-	-	-
Other comprehensive (expense)	-	-	(112)	-	-	(112)	-	(112)
Total comprehensive (expense)/income for the period	(57,600)	-	(112)	57,600	(5,382)	(5,494)	(561)	(6,055)
Dividend recognized as distribution	-	-	-	-	(6,400)	(6,400)	-	(6,400)
As at 30 June 2016	6,400	680	9,773	57,600	65,854	140,307	615	140,922

Pursuant to an unanimously resolution passed by the shareholders in the extraordinary general meeting of the Company held on 28 January 2016 (the "EGM"), the par value of each of the then issued share of HK\$0.10 each in the share capital of the Company ("Share(s)") be reduced from HK\$0.10 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.09 on each of the then issued Shares such that the par value of each of the then Share be reduced from HK\$0.10 to HK\$0.01.

The share capital of Company is then reduced from HK\$64,000,000 to HK\$6,400,000 and that HK\$57,600,000 is transferred from share capital to the contributed surplus account.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW***For the six months ended 30 June 2016*

	<b>Six months ended 30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
NET CASH FROM OPERATING ACTIVITIES	<b>4,950</b>	11,813
NET CASH (USED IN) INVESTING ACTIVITIES	<b>(2,326)</b>	(7,228)
NET CASH (USED IN) FINANCING ACTIVITIES	<b>(6,400)</b>	(1,920)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>595</b>	(490)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(3,181)</b>	2,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>91,749</b>	89,574
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>88,568</b>	91,749
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS represented by bank balances and cash	<b>88,568</b>	91,749

Notes:

## 1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the GEM on 4 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report for the year ended 31 December 2015 and the announcement of Change of Domicile, Registered Office Address, Principal Share Registrar and Share Transfer Agent; and Adoption of New Memorandum of Continuance and Bye-laws date 19 February 2016.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company is United States dollars ("USD"). As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company is an investment holding company.

The unaudited half-yearly consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange and with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited half-yearly consolidated financial statements have been prepared under the historical cost convention except for investment properties, which are measured at fair value. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 (the "2015 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA, which have become effective in the period as detailed in notes of the 2015 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group's condensed consolidated financial statements for the Half-Year.

## 3. REVENUE

Revenue represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly for computers, computer peripheral products, multi-media consumable electronics products, communication products, automobile electronics accessories, wire harness and medical equipments and subcontracting service rendered during the period under review.

## 4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports regularly reviewed by the executive Directors, who are the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance.

#### 4. SEGMENT INFORMATION *(continued)*

Segment information reported internally for the purposes of resources allocation and performance assessment is analysed based on the class of customers which is the same as information reported to the chief operating decision makers. The Group is currently engaged in the sales of connectivity products to two classes of customers, namely, original equipment manufacturer customers ("OEM customers") and retail distributors. The Group's operating segments under HKFRS 8 are as follows:

##### Business segments

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue				
OEM customers	53,122	50,878	100,732	100,234
Retail distributors	21,951	23,041	38,100	37,883
	<b>75,073</b>	<b>73,919</b>	<b>138,832</b>	<b>138,117</b>
Segment Profit				
OEM customers	7,851	4,593	13,903	8,338
Retail distributors	1,534	1,581	2,116	2,616
	<b>9,385</b>	<b>6,174</b>	<b>16,019</b>	<b>10,954</b>
Other income	724	689	1,214	1,328
Unallocated expenses	(12,017)	(8,906)	(22,175)	(17,652)
Loss before taxation	<b>(1,908)</b>	<b>(2,043)</b>	<b>(4,942)</b>	<b>(5,370)</b>

##### Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2016 HK\$'000 (Unaudited)	%	2015 HK\$'000 (Unaudited)	%	2016 HK\$'000 (Unaudited)	%	2015 HK\$'000 (Unaudited)	%
Korea	35,531	47.3%	25,005	33.8%	63,602	45.8%	52,772	38.2%
Japan	19,200	25.6%	19,791	26.8%	32,965	23.8%	34,620	25.1%
Taiwan	11,340	15.1%	17,795	24.1%	24,435	17.6%	31,152	22.6%
United States of America ("U.S.A.")	4,935	6.6%	8,169	11.0%	11,247	8.1%	12,615	9.1%
Others	4,067	5.4%	3,159	4.3%	6,583	4.7%	6,958	5.0%
	<b>75,073</b>	<b>100.0%</b>	<b>73,919</b>	<b>100.0%</b>	<b>138,832</b>	<b>100.0%</b>	<b>138,117</b>	<b>100.0%</b>



## 5. (LOSS) BEFORE TAXATION

(Loss) before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation and amortisation	1,757	1,860	3,498	3,709

## 6. INCOME TAX EXPENSES

The amount represents current tax charge on assessable profit arising in jurisdiction other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction. No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements, as the Group has no assessable profit arising in Hong Kong in the Periods.

No provision for deferred taxation has been made in the condensed consolidated financial statements, as it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

## 7. (LOSS) PER SHARE

The calculation of basic losses per Share for the Second Quarter and Half-Year are based on the consolidated (losses) attributable to shareholders of approximately HK\$(2,581,000) and HK\$(5,382,000) respectively (consolidated (losses) attributable to shareholders for three months and six months ended 30 June 2015: HK\$(2,551,000) and HK\$(6,454,000) respectively) and on the number of 640,000,000 Shares (2015: 640,000,000 Shares) in issue.

No dilutive earnings per Share has been recorded for the Second Quarter and Half-Year because there is no outstanding share options in the Periods.

## 8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Half-Year. (six months ended 30 June 2015: nil).

On 3 August 2016, the Directors recommended a special dividend of HK\$0.093 per Share. The details of which can be referred to the announcement of the Company published on the same date.

## 9. PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

During the Half-Year, the Group acquired property, plant and equipment at a total cost of approximately HK\$1,750,000 (six months ended 30 June 2015: HK\$2,354,000). The investment properties were valued at HK\$11,210,000 on 31 December 2015 by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group.

The fair value was determined using direct comparison approach assuming sales of the properties in their respective existing state and by making reference to comparable sales evidences as available on the market. There has been no change from the valuation technique used in the prior year.

The Directors consider that the fair value of the investment properties as at 30 June 2016 was not significantly different from their carrying value as at 31 December 2015.

## 10. CLUB DEBENTURE

The club debenture represents entrance fee paid to a golf club held on a long-term basis. The Directors are of the opinion that the underlying value of the club debenture is at least equal to its cost.

## 11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within 30 days	<b>22,254</b>	27,842
From 31 days to 120 days	<b>37,960</b>	35,177
From 121 days to 180 days	<b>129</b>	539
Over 180 days	<b>515</b>	1,846
	<b>60,858</b>	65,404
Other receivables	<b>7,046</b>	7,285
	<b>67,904</b>	72,689

## 12. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period ranging from 30 days to 150 days from its trade suppliers.

The following is an aged analysis of trade payables at the reporting date:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within 30 days	<b>12,870</b>	13,885
From 31 days to 90 days	<b>26,134</b>	24,007
From 91 days to 150 days	<b>5,673</b>	8,922
Over 150 days	<b>3,098</b>	3,043
	<b>47,775</b>	49,857
Other payables	<b>33,547</b>	29,961
	<b>81,322</b>	79,818

## 13. SHARE CAPITAL

Pursuant to an unanimously resolution passed by the shareholders in the EGM, the par value of each of the then issued Share of HK\$0.10 each be reduced from HK\$0.10 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.09 on each of the then issued Shares such that the par value of each of the then Share be reduced from HK\$0.10 to HK\$0.01.

The share capital of Company is then reduced from HK\$64,000,000 to HK\$6,400,000 and an amount of HK\$57,600,000 is transferred to contributed surplus account.

## 14. RELATED PARTY TRANSACTIONS

During the Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended 30		Six months ended 30 June	
		June			
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Glory Mark Electronic Limited (incorporated in Republic of China) ("GM Taiwan")	Rentals paid	<b>36</b>	38	<b>71</b>	75
Billion Mass Limited ("Billion Mass")	Rentals paid	<b>258</b>	258	<b>516</b>	516
San Chen Company ("San Chen")	Rentals paid	<b>36</b>	38	<b>71</b>	75
Yu Lan	Rental paid	<b>30</b>	30	<b>57</b>	60

Mr. Pang Kuo-Shi ("Mr. Pang"), Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% interest in GM Taiwan and 100% interest in Billion Mass. Mr. Pang holds 42.75% equity interest in San Chen. Yu Lan is the spouse of Mr. Pang.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is engaged in design, manufacture and sale of connectivity products mainly for computers, computer peripheral products, multi-media consumable electronic products, communication products, automobile electronics accessories, wire harness and medical equipment. The Group is one of the leading VGA cables manufacturers in the world.

Benefit from some higher value-added products launched by the Group, the depreciation of Renminbi and the stabilized manufacturing labour costs in China, the gross profit ratio of the Group during the Half-Year increased by approximately 3.6% as compared with the last corresponding period.

The Group will enhance the launching of higher value-added products to improve the profit margin. Having considered all the situations, the Directors hold a conservative but positive view as to the results of the Group in the coming quarters.

### FINANCIAL REVIEW

#### Revenue and profit

The Group recorded a revenue of HK\$138,832,000 for the Half-Year (six month ended 30 June 2015: HK\$138,117,000), representing a slightly increase of 0.5%.

Revenue generated from OEM customers and retail distributors mildly increased by approximately 0.5% and 0.6% respectively for the Half-Year as compared with the last corresponding period.

Revenue generated in Korea increased by 20.5% whereas the revenue generated in Japan, Taiwan, USA and the other regions decreased by approximately 4.8%, 21.6%, 10.8% and 5.4% respectively for the Half-Year as compared with the last corresponding period.

#### Other income

The Group earned other income of approximately HK\$1,214,000 during the Half-Year which was approximately the same as the last corresponding period (six months end 30 June 2015: HK\$1,328,000).

#### Selling and distribution expenses

The selling and distribution expenses was approximately HK\$5,395,000 during the Half-Year which was approximately the same as the last corresponding period (six months end 30 June 2015: HK\$5,238,000).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Administrative expenses**

The administrative expenses was approximately HK\$16,780,000 during the Half-Year (six months end 30 June 2015: HK\$12,414,000). The increase in administrative expenses was mainly attributable to the increase in legal and professional expenses used for the takeovers issue.

### **Financial cost**

The Group did not incur any financial cost for both the periods ended 30 June 2016 and 2015.

### **Loss for the Half-Year attributable to owners of the Company**

The Group reported a net loss attributable to owners of the Company for the Half-Year of approximately HK\$5,382,000 (six months ended 30 June 2015: loss of approximately HK\$6,454,000).

### **Loss per share**

The basic loss per Share for the Half-Year was approximately HK0.84 cent (six months ended 30 June 2015: basic loss per share of approximately HK1.01 cent)

### **Liquidity and financial resources**

As at 30 June 2016, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$61.4 million, HK\$88.6 million and HK\$140.3 million (31 December 2015: HK\$72.0 million, HK\$91.7 million and HK\$152.2 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.55 as at 30 June 2016 (31 December 2015: 1.65).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short position of the directors, the chief executive and their associates in the Shares and underlying shares of the Company or its associate corporation (within the meaning of Part XV of the Securities and Future Ordinance Chapter 571 ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the GEM Listing Rules and Divisions 7 and 8 of Part XV of the SFO, were as follows:

### (a) Ordinary Shares of HK\$0.01 each of the Company

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Issued Ordinary Shares held</b>	<b>Percentage of Issued share capital of the Company</b>
Mr. Pang Kuo-Shi (Note)	Interest of controlled corporation	279,616,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	116,894,000	18.26%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	69,888,000	10.92%
Mr. Wong Kwong Chi	Interest of Spouse	6,380,000	0.99%

Note: Mr. Pang is deemed to be interested in 279,616,000 shares held by Modern Wealth Assets Limited ("Modern Wealth"), a company wholly owned by Mr. Pang Kuo-Shi.

Reference is made to the joint announcement dated 22 July 2016 jointly issued by PT Design Group Holdings Limited (the "Purchaser") and the Company (the "Joint Announcement"). On 8 July 2016, Modern Wealth, Mr. Wong and Mr. Hsia (collectively, the "Vendors"), Mr. Pang, the Purchaser and the Purchasers' guarantors entered into a share purchase agreement, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, in aggregate, 342,020,000 Shares, representing approximately 53.44% of the existing issued share capital of the Company. For details, please refer to the Joint Announcement.

Other than as disclosed above, none of the directors, the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations at 30 June 2016.

## SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 13 December 2001 (the “Scheme”) for the purpose of providing incentives to directors and eligible employees was expired. No share option was granted under the Scheme since its adoption. Save as aforesaid, there is no other share option scheme subsist during the Half-Year.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares” above, no person in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO was disclosed as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2016.

## COMPLIANCE WITH GEM LISTING RULES 5.48 TO 5.67

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors, upon specific enquiry being made, confirm that during the Half-Year, they have complied with the required standards of dealings and the Company’s code of conduct regarding directors’ securities transactions.

## INTERESTS IN COMPETING BUSINESS

During the Half-Year, none of the directors or the management shareholders or their respective associates of the Company had an interest in a business, which competes or may compete with the business of the Group.

## CONNECTED TRANSACTIONS AND DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed in note 14 above:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules; and
- (ii) no contract of significance to which the Company or any of 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 or at any time during the Half-Year.

## CORPORATE GOVERNANCE

The Company complied throughout the Second Quarter with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save as the following: –

- (i) Code provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The Company deviated from this provision in that Dr. Lui Ming Wah and Mr. Lau Ho Kit, Ivan, all being non-executive directors of the Company, were not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders as a whole and the retirement and re-election requirements of non-executive directors have already given the Company's shareholders the right to approve continuation of non-executive directors' offices.
- (ii) Code provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Given that the members of the nomination committee of the Board considers that the current composition allows the Board to perform its function efficiently, the nomination committee has yet adopted a diversity policy. The nomination committee will adopt such a policy and set measurable objectives therefore in this year with an aim to evaluate the optimal composition of the Board.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company. The Company has received, from each of the independent non-executive directors, an annual confirmation on his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.



## AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises three members, Mr. Lau Ho Kit, Ivan, Dr. Lui Ming Wah, S.B.S., JP and Mr. Wong Kwong Chi, and all of them are independent non-executive directors of the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Company. The interim results presented herein has not been audited but has been reviewed by the Audit Committee who has provided advice and comments thereon.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Half-Year.

On behalf of the Board

**Pang Kuo-Shi**

*Chairman*

Hong Kong Special Administrative Region of the People's Republic of China  
10 August 2016

*As at the date of this report, the board comprises Messrs. Pang Kuo-Shi also known as Steve Pang, Wong Chu and Hsia Chieh-Wen also known as Paul Hsia being Executive Directors and Dr. Lui Ming Wah, S.B.S., JP, Mr. Wong Kwong Chi and Mr. Lau Ho Kit, Ivan being Independent Non- Executive Directors.*