GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8159

ANNUAL REPORT 2016

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*This report, for which the directors (the "**Directors**") of the Glory Mark Hi-Tech (Holdings) Limited (the "**Company**" together with its subsidiaries the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rule Governing the Listing of Securities on GEM of the Exchange (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 report 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.*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Wang Li Feng *(Chairman)*
Wong Chun
(Deputy Chairman and Chief Executive Officer)
He Yongyi *(Chief Operation Officer)*
Pang Kuo Shi
Kong Lixing
Zhao Guo Xing
Dong Jianqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Ping Chun
Lau Ho Kit, Ivan
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui

COMPANY SECRETARY

Chan Man Yi, *HKICPA*

AUTHORISED REPRESENTATIVE

Pang Kuo-Shi
Wong Chun

COMPLIANCE OFFICER

Wong Chun

AUDIT COMMITTEE

Lau Ho Kit, Ivan *(Chairman)*
Liu Ping Chun
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui

REMUNERATION COMMITTEE

Liu Ping Chun *(Chairman)*
Lau Ho Kit, Ivan
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui
Wong Chun

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 907, 9th Floor
Westlands Centre
20 Westlands Road
Quarry Bay, Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

STOCK CODE

8159

CHAIRMAN'S STATEMENT

Dear Valuable Shareholders,

This year, I am pleased to present a positive result to you in the capacity of the Chairman of the Group. The Group achieved a revenue and profit attributable to owners of the Company of approximately HK$324.6 million and HK$3.0 million respectively for the year ended 2016 (2015: Revenue – HK$296.5 million; loss attributable to owners of the Company – HK$17.7 million). Given a special cash dividend of HK$59,520,000 was distributed on 6 September 2016 to the then shareholders, the Group maintained bank balances and cash as at 31 December 2016 of approximately HK$43.0 million and at the same time, without assuming any interest-bearing debt.

I am proud of joining this well-managed Company. On 8 September 2016, PT Design Group Holdings Limited ("**PT Design**"), acquired 53.44% of the shares of the Company from three major Shareholders, namely Mr. Pang Kuo Shi, Mr. Wong Chun and Mr. Hsia Chien Wen. This started my good cooperation relationship with the Group. Save for Mr. Hsia Chien Wen, Mr. Pang Kuo Shi and Mr. Wong Chun are still executive directors of the Company.

In 2017 and going forwards, the Group will try its best to strengthen its initial core businesses. In addition, PT Design, as the new major shareholders, will try its best endeavor to introduce new prosperous business opportunities to the Company through its expertise.

I have full confident that through the efforts of our capable staffs and the supports of our business partners, the Company will have a bright and prosperous future under our leadings.

FINAL DIVIDEND

The Directors proposed a final dividend of HK0.3 cents (2015: 1.0 cents) per share, which is subject to the approval by the shareholders in annual general meeting for the Year. The final dividend will be payable on 31 May 2017, Wednesday to the shareholders whose names appear on the register on Members of the Company on 17 May 2016, Wednesday.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 28 April 2017, Friday to 5 May 2017, Friday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered on those dates. In order to qualify to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 27 April 2017, Thursday.

CLOSURE OF REGISTER FOR FINAL DIVIDEND

The register of members of the Company will be closed from 15 May 2017, Monday to 17 May 2017, Wednesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to the proposed final dividend upon the passing of relevant resolution. No transfer of the Shares may be registered on those dates. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 12 May 2017, Friday.

Wang Li Feng
Chairman
Hong Kong, 27 March 2017

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 year ended 31 December 2016 (the "**Year**") increased by approximately 54.9% as compared with the last corresponding year.

The Group will continue to 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 year 2017.

FINANCIAL REVIEW

Revenue and profit

The Group recorded revenue of approximately HK$324,670,000 for the Year, representing an increase of approximately 9.5% as compared to the last corresponding year (the year ended 31 December 2015: approximately HK$296,497,000).

The profit attributable to Shareholders during the Year was approximately HK$2,953,000 as compared to a loss of approximately HK$17,688,000 in the last corresponding year.

The improvement of the profit attributable to Shareholders during the Year was mainly attributable to the following reasons:–

- No impairment loss on available-for-sale investments occurred in the Year (2015: HK$8,279,000);
- Depreciation of Renminbi during the Year;
- The government of the Guangdong Province had not increased the minimum wages during the Year, which stabilised the labour costs of the Group;
- The Group launched some higher value added products during the Year.

The revenue from retail distributors during the Year was approximately HK$78,598,000, representing an increase of approximately 8.8% as compared to the last corresponding year (the year ended 31 December 2015: approximately HK$72,266,000).

The revenue from OEM customers during the Year was approximately HK$246,072,000 representing an increase of approximately 9.7% as compared to the last corresponding year (the year ended 31 December 2015: approximately HK$224,231,000).

Revenue from Korea, USA and the other regions were increased by approximately 46.9%, 41.5% and 8.0% respectively. Revenue from Taiwan and Japan were decreased by approximately 31.7% and 0.7% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group recorded a gross profit for the Year of approximately HK$46,439,000, increased by approximately HK$20,248,000 or 77.3% as compared to the last corresponding year. The stability of the PRC wages rate, the depreciation of Renminbi and the launch of higher-value products were the keys to improve the gross profit margin of the Group during the Year.

Other Income

The other income for the Year was approximately HK$3,901,000, increased by approximately HK$1,253,000 or 47.3% as compared to the last corresponding year. The increase was mainly attributable to the increase in exchange gains and claim received during the Year.

Selling and Distribution Expenses

The selling and distribution expenses for the Year were approximately HK$11,334,000, representing a mild increased by approximately 7.1% as compared to the last corresponding year, which was coped with the increase in turnover.

Administrative Expenses

The administrative expenses for the Year were approximately HK$34,203,000, increased by approximately HK$9,369,000 as compared to the last corresponding year, which was mainly due to the increase in legal and professional expenses incurred by the take-over issue and the staff salaries.

Income tax expenses

The Group incurred income tax expenses of approximately HK$2,615,000 during the Year (year ended 31 December 2015: approximately HK$2,124,000).

Liquidity and financial resources

As at 31 December 2016, the Group's net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK$13.6 million, HK$43.0 million and HK$88.5 million (31 December 2015: approximately 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 1.10 (31 December 2015: 1.65). The Group had no interest bearing debt as at 31 December 2016 (31 December 2015: nil).

The significant decrease in the Group's net current assets, cash and bank balances and the equity attributable to owners of the Company as at 31 December 2016 as compared to 31 December 2015 were mainly attributable to the distribution of a special dividend in the amount of HK$59,520,000 on 6 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Development

On 8 September 2016, the Company announced that it was informed by the controlling shareholder of the Company, namely Modern Wealth Assets Limited ("**Modern Wealth**"), a company beneficially wholly-owned by an executive director of the Company and the then chairman of the Board, Mr. Pang Kuo-Shi, that Modern Wealth together with Mr. Wong Chun, an executive director of the Company and Mr. Hsia Chieh-Wen, a then executive director of the Company, sold an aggregate of 342,020,000 ordinary shares in the Company, representing 53.44% of the entire issued share capital of the Company, to PT Design Group Holdings Limited ("**PT Design**") for a cash consideration of HK$245,826,875 at HK$0.71875 per share (the "**Transaction**"). Immediately after the completion of the Transaction, PT Design held 342,020,000 shares, representing approximately 53.44% in the total number of shares in issue. As a result of the Transaction, PT Design and parties acting in concert with it were obliged to make an unconditional mandatory cash offer (the "**Offer**") under Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs for all the ordinary shares of the Company. Details of the Transaction and the Offer are disclosed in the composite document jointly issued by the Company and PT Design dated 15 September 2016. On 6 October 2016, the Company announced that immediately after the close of the Offer and taking into account the valid acceptances in respect of 31,915,500 ordinary shares of the Company, PT Design and parties acting in concert with it were interested in an aggregate of 373,935,500 shares, representing approximately 58.43% of the total number of ordinary shares of the Company in issue. Immediately following the close of the Offer, the Company could not satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules. The Company had applied to the Exchange for a temporary waiver from strict compliance with the minimum public float requirement (the "**Waiver**") for two months commencing from 6 October 2016 and the Exchange had granted the Waiver to the Company for the period from 6 October 2016 to 5 December 2016. The Company was informed by PT Design that it had restored the minimum public float by selling down 18,315,500 shares through a placing agent. Since then, the interest of PT Design in the Company has been reduced from 58.43% to 55.57%.

Research and Development Capabilities

It is an ongoing strategy of the Group to focus on our research and development capabilities, as it is critical in maintaining the Group's competitive edge in the market. The Group had 30 engineers/technicians in the research and development department as at 31 December 2016.

Sales and Marketing

To deal with the downturn of the global market, the marketing team tried to secure the businesses with valuable customers and procure new reliable customers.

Employees

As at 31 December 2016, the Group had 1,065 (2015: 1,091) employees. Employee remuneration and other benefits, excluding directors' emoluments, for the Year was approximately HK$77.4 million (2015: HK78.5 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which are reviewed annually.

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 3.2%, 46.3%, 15.4% and 35.1% respectively for the Year. (2015: 2.3%, 51.7%, 23.8% and 22.2% respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Li Feng, aged 52, is the chairman of the Group. He obtained a master degree in architecture from Royal Melbourne Institute of Technology in November 1991. Mr. Wang is also a director of PT Design, the controlling shareholder of the Company. He worked as the chief representative for Peddle Thorp Architects Melbourne Asia Shenzhen Office (澳大利亞柏濤墨爾本建築設計有限公司深圳代表處) from February 1998 to January 2003. He was the chairman of Peddle Thorp Consultants (Shenzhen) Co. Ltd (柏濤諮詢(深圳)有限公司) from January 2003 to March 2009 and has been the chairman of PT Architecture Design (Shenzhen) Company Limited (柏濤建築設計 (深圳) 有限公司) from March 2009 until the present.

Mr. Kong Lixing, aged 74, graduated from Tsinghua University and majored in architecture in July 1965 and is a registered architect in the PRC. He is also a director of PT Design, the controlling shareholder of the Company. Mr. Kong has years of experience in the architecture industry. He worked as manager at Hong Kong Hua Yi Consultancy (Shenzhen) Company Limited* (香港華藝設計顧問 (深圳) 有限公司) from October 1990 to end of 1997. He worked as the general manager of Peddle Thorp Architects Melbourne Asia Shenzhen Office (澳大利亞柏濤墨爾本建築設計有限公司深圳代表處) from February 1998 to January 2003 and the general manager and technical director of Peddle Thorp Consultants (Shenzhen) Co. Ltd (柏濤諮詢 (深圳) 有限公司) from January 2003 to March 2009. Mr. Kong has been the vice chairman of PT Architecture Design (Shenzhen) Company Limited (柏濤建築設計 (深圳) 有限公司) since March 2009.

Mr. Dong Jianqiang, aged 53, graduated from Guangxi Normal University and majored in Marxist Philosophy in February 1999. Mr. Dong has years of experience in finance and securities investment. He was the vice president of China Zhao Shang Investment Net* (中國招商投資網) and the president of China Zhao Shang Investment Group* (中國招商投資聯盟) from August 2008 to October 2012. He has been the director and chief executive of Shenzhen Guokang Asset Management Company Limited* (深圳市國康資產管理有限公司) since November 2012. Mr. Dong is also a director of PT Design, the controlling shareholder of the Company.

Mr. Zhao Guo Xing, aged 51, obtained a bachelor degree in Engineering from Beijing University of Civil Engineering and Architecture (formerly known as Beijing Institute of Civil Engineering and Architecture) in July 1988 and is a registered architect in the PRC. He is also a director of PT Design, the controlling shareholder of the Company. Mr. Zhao has years of experience in the architecture industry. He worked as an architect at Beijing Institute of Architecture Design & Research (北京市建築設計研究院) and HuaYi Designing Limited* (華藝設計顧問有限公司) from July 1988 to February 1995. He has been the deputy principal architect of Peddle Thorp Architects Melbourne Asia Shenzhen Office (澳大利亞柏濤墨爾本建築設計有限公司深圳代表處) from September 2002 to January 2003 and the principal architect and deputy general manager of Peddle Thorp Consultants (Shenzhen) Co. Ltd (柏濤諮詢 (深圳) 有限公司) from January 2003 to March 2009 and the general manager and principal architect of PT Architecture Design (Shenzhen) Company Limited (柏濤建築設計(深圳)有限公司) since March 2009.

Mr. He Yongyi, aged 48, is the chief operation officer of the Group. He obtained a bachelor degree in Engineering from Chongqing University (formerly known as Chongqing Institute of Architecture and Civil Engineering) in July 1990 and is a registered architect in the PRC. Mr. He has years of experience in the architecture industry. Mr. He worked as a vice chief architect of Shenzhen Huasen Architectural & Engineering Designing Consultants Limited (深圳華森建築與工程設計顧問有限公司) from April 1997 to February 2001, and the vice design director of Peddle Thorp Architects Melbourne Asia Shenzhen Office (澳大利亞柏濤墨爾本建築設計有限公司深圳代表處) from April 2001 to August 2003. Mr. He is also a director of PT Design, the controlling shareholder of the Company. He has been the general manager and chief architect of Shanghai PT Architecture Design & Consultant Company Limited (上海柏濤建築設計諮詢有限公司) from August 2003 to May 2011, an executive director and principal architect of the same Company from June 2011 to December 2014 and director since January 2014.

Mr. Pang Kuo-Shi also known as Steve Pang (**龐國璽**), aged 60, was one of the founders of the Group. Mr. Pang was responsible for the overall strategic planning, business development, sales and marketing of the Group's initial core businesses. He has over 35 years of experience in the field of research and development, sales and marketing of computer cables and connectors. Prior to founding the Group, Mr. Pang worked as a sales manager for the US office of Hon-Hai Precision Industrial Company Limited ("**鴻海精密工業股份有限公司**"), one of the leading cable assembly and connector manufacturers in Taiwan. Mr. Pang graduated with a diploma in industrial engineering from Hsinpu Junior College of Technology in Taiwan ("**台灣新埔工業專科學校**") in 1978.

Mr. Wong Chun (**黃 震**), aged 57, was one of the founders of the Group. Mr. Wong is the deputy chairman and the chief executive officer of the Company. Mr. Wong is responsible for administration, finance and investment project management of the Group. He had worked as a chief officer of China affairs for two Hong Kong listed electronics companies, Tomei International (Holdings) Limited and The Grande Holdings Limited. Mr. Wong has over 30 years of experience in electronic and computer peripherals sector. He is presently serving as the Executive Committee Member and President of Mainland Hong Kong Economy and Trade Committee of the Chinese Manufacturers Association of Hong Kong, Vice-Chairman and the Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, Life Honorary President of the Hong Kong Auto Parts Industry Association, GD Qingyuan City Committee of Chinese People Political Consultative Conference, Executive Committee member of Federation of Hong Kong Guangdong Community Organisations, Honorary Vice President of Federation of Qing Yuan Association. Since 2007, he served as Vice-Chairman of Dongguan City Association of Enterprises with Foreign Investment for 6 years, Executive Vice-Chairman of Dongguan City Tangxia Association of Enterprises with Foreign Investment for 6 years. Since 2009, he served as the member of the China Trade and Innovation & Technology Advisory Committee of Hong Kong Trade Development Council for 4 years. He has also awarded as Fellow by The Professional Validation Council of Hong Kong Industries and Fellow Member by Asian Knowledge Management Association respectively in 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Liu Ping Chun, aged 61, studied Chinese Linguistic Literature in XiangTan University in the PRC from 1978 to 1982. Mr. Liu has years of experience in travel and properties industry. He was a director, the chairman and president of Shenzhen OCT Holding Co., Ltd (000069.SZ) during the period from October 1997 and September 2015. He is currently the dean and a part-time professor at Shenzhen Tourism College of Jinan University and the Chairman of Shenzhen Travel Association.

Mr. Lau Ho Kit, Ivan (**劉可傑**), aged 58, has extensive experience in accounting and financial management while working as a financial director/financial controller in a number of manufacturing companies listed on the Exchange. Mr. Lau graduated from the Hong Kong Polytechnic University with a Masters degree in professional accounting. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England and Wales. Mr. Lau became an independent non-executive director in December 2001. Mr. Lau is also an independent non-executive director of CCT Land Holdings Limited (formerly CCT Tech International Limited, Singamas Container Holdings Limited and The Grande Holdings Limited. All these three companies are listed on the main board of the Stock Exchange.

Dr. Hon. Lo Wai Kwok SBS, MH, JP ("Dr. Lo"), aged 64, was appointed as an independent non-executive Director and a member of the Nomination Committee and the Audit Committee on 29 November 2016. Dr. Lo holds a doctorate degree in engineering, master degrees in engineering and business administration respectively and a bachelor degree in engineering. He is a Chartered Engineer and Fellow of the Hong Kong Institution of Engineers. Dr. Lo was awarded with the "Young Industrialist Awards of Hong Kong" and the "Ten Outstanding Young Persons Selection" in 1992, the "Medal of Honour" of the Hong Kong Government in July 2001, and was appointed "Justice of the Peace" of the Hong Kong Government in July 2004. Dr. Lo was awarded the Bronze Bauhinia Star in July 2009 and the Silver Bauhinia Star in July 2015 by the Hong Kong Government respectively.

Dr. Lo is also an independent non-executive director of Ka Shui International Holdings Limited, a listed company in Hong Kong (Stock Code: 882). He is currently a member of the Legislative Council of Hong Kong, representing the Engineering Functional Constituency. He has over 30 years of experience in the electronic and power supply industry. He is an Adjunct Professor of the City University of Hong Kong and an Honourary Professor of the Open University of Hong Kong.

Dr. Zhu Wenhui ("Dr. Zhu"), aged 47, was appointed as an independent non-executive Director and a member of the Nomination Committee and the Audit Committee on 29 November 2016. Dr. Zhu holds a Doctorate Degree (博士研究生) in Global Economics (世界經濟) awarded by the People's University of China (中國人民大學) and is currently a commentator on financial and current affairs for Hong Kong Phoenix TV. Dr. Zhu was a senior research officer of the Bauhinia Foundation Research Centre and a part-time research fellow of the China Business Centre under the Hong Kong Polytechnic University. He was also a researcher of the Centre for Northeast Asia Policy Studies under the Brookings Institution, a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administration Region, an advisor to the Advisory Committee for the Cooperation between Guangzhou, Hong Kong and Macau (廣東省粵港澳合作諮詢委員會顧問), a council member of China Development Institute (綜合開發研究院) in Shenzhen, China. He also acted as the advisor to various local governments in China and several Hong Kong companies. He is experienced in the research on the structural change of industries in global economies, the economic and business development in East Asia, the open door policy adopted by China, the regional economic development of China, the economic integration between the mainland China, Taiwan and Hong Kong.

Dr. Zhu is also an independent non-executive director of Doyen International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 668.HK); and Chalkis Health Industry Co., Ltd. (Stock Code: 000972.SZ), Guilin Tourism Corporation Limited (Stock Code: 000978.SZ) and Tian Guang Zhong Mao Co., Ltd. (Stock Code: 002509.SZ), which are listed companies in Shenzhen.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ms. Chan Man Yi (**陳敏儀**), aged 52, is the company secretary of the Group. Ms. Chan graduated from the Hong Kong Polytechnic University with a Master degree in professional accounting and has over 25 years of experience in pension and provident fund industry. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Chan joined the Group in December 2012.

Mr. Chui Wing Kit (**徐永傑**), aged 59, is the assistant financial controller of the Group. Mr. Chui gained substantial experience in finance, accounting, and auditing while working as an assistant financial controller of a listed company in Hong Kong. Mr. Chui joined the Group in October 2000.

Mr. Chen Ching-Chang (**陳慶章**), aged 55, is the deputy general manager of the Group's Production and Manufacturing Business Department, and is responsible for the Group's production and manufacturing and quality management. Mr. Chen graduated from 台灣明新工業專科學校 in 1982 with a diploma in electronic engineering. He has over 30 years of experience in cables, connectors assembling and management of electronic products manufacturing. Mr. Chen has worked as production manager in various manufacturing companies in Taiwan, relating to cables, connectors assembling and electronic products manufacturing. Mr. Chen joined the Group on 1 January 2002.

Dr. Wei-I Lee (**李威儀**), aged 58, is the technical consultant of the Group and is responsible for the research and development activities of the Group, especially in the fibre optic business. Dr. Lee obtained a doctoral degree in Electrical Engineering from Rensselaer Polytechnic Institute in U.S. in December 1988. Dr. Lee is at present a professor at The National Communication University ("**國立交通大學**") in Taiwan and the executive director of a company engaging in semiconductor opto-electronic and high-speed devices. Dr. Lee joined the Group in June 2001.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

BUSINESS REVIEW

For the review of the business of the Group, please refer to the section headed "Management Discussion and Analysis - Business review" on pages 5 of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the year ended 31 December 2016, the Group adopted the following policies to improve the environmental quality:

- to design and produce connectivity products by taking into account the possibility of dismantling and recovery of the components and materials
- to use recycled papers as printing materials whenever appropriate
- to reduce electricity consumption by switching off any light and electrical appliances which are not in use
- to choose energy efficiency appliances (with energy labels showing on prescribed products) with lowest energy consumption
- to avoid, reduce or control environmental pollution arising from the Group's operations and to require our contractors to adopt and implement similar environmental measures
- to ensure good management practices by reviewing them regularly and ensure that they are tuned to the changing internal and external circumstances
- to comply with all applicable environmental legislation, standards and regulations

The Group will put in place additional environmental policies as and when appropriate or necessary to ensure that its business operations are conducted in an environmentally responsible manner.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 8.4% and 26.7%, respectively, of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 42.1% and 85.3%, respectively, of the Group's total turnover for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

The directors have resolved to recommend the payment of a final dividend of HK0.3 cents per share to the shareholders on the register of members on 17 May 2017, Wednesday, amounting to HK$1,920,000 in aggregate.

The directors have also resolved to pay a special dividend of HK9.3 cents per share to the then eligible shareholders on 6 September 2016, amounting to HK$59,520,000 in aggregate.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 77 of the annual report.

FIXED ASSETS

The Group's investment properties were revalued at 31 December 2016. There is an increase in fair value of investment properties of HK$280,000.

The Group expended HK$3,668,000 on new plant and equipment during the year.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 14 and 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2016 amounted to HK$26,539,000.

DIRECTORS

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

Executive directors:	
Mr. Wang Li Feng (Chairman)	(appointed on 15 September 2016)
Mr. Wong Chun (Deputy Chairman and Chief Executive Officer)	
Mr. He Yongyi (Chief Operation Officer)	(appointed on 15 September 2016)
Mr. Pang Kuo-Shi	
Mr. Kong Lixing	(appointed on 15 September 2016)
Mr. Dong Jianqiang	(appointed on 15 September 2016)
Mr. Zhao Guo Xing	(appointed on 15 September 2016)
Mr. Hsia Chieh-Wen	(resigned on 29 November 2016)
Independent non-executive directors:	
Mr. Lau Ho Kit, Ivan	
Mr. Liu Ping Chun	(appointed on 15 September 2016)
Dr. Hon. Lo Wai Kwok SBS, MH, JP	(appointed on 29 November 2016)
Dr. Zhu Wenhui	(appointed on 29 November 2016)
Dr. Lui Ming Wah, SBS, JP	(resigned on 29 November 2016)
Mr. Wong Kwong Chi	(resigned on 29 November 2016)

To comply with Article 83(2) of the Bye-laws of the Company (the "**Bye-laws**"), each of Mr. Wang Li Feng, Mr. He Yongyi, Mr. Kong Lixing, Mr. Dong Jianqiang, Mr. Zhao Guo Xing, Mr. Liu Ping Chung, Dr. Hon Lo Wai Kwok SBS, MH, JP and Dr. Zhu Wenhui shall hold office until, and retire at the annual general meeting, and being eligible, offer themselves for re-election at the annual general meeting.

In accordance with Article 84(1) of the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. And, according to the Corporate Governance Code under Appendix 15 to the GEM listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with Article 84(2) of the Bye-laws, any Director appointed by the Board pursuant to Article 83(2) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

To comply with the above, Mr. Wong Chun shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into service agreement with the Company which shall be terminated by not less than six months' notice in writing served by either party on the other.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 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 Futures Ordinance ("**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 of Hong Kong Limited (the "**Exchange**") pursuant to the required standards of dealings by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") operated by the Exchange (the "**GEM Listing Rules**") and Divisions 7 and 8 of Part XV of the SFO, were as follows:

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Wang Li Feng ("**Mr. Wang**") (Note 1)	Beneficial owner	355,620,000	55.57%
Mr. Pang Kuo-Shi (Note 2)	Interest in a controlled corporation	74,403,000	11.63%
Mr. Wong Chun	Beneficial owner	31,390,000	4.9%
Mr. Hsia Chieh-Wen	Beneficial owner	18,585,000	2.9%

Note 1: The 355,620,000 shares are held by PT Design. PT Design is held by Wise Thinker Holdings Limited (which is wholly owned by Mr. Wang, the chairman and an executive Director) as to approximately 63.28%, Zhao Li Holdings Limited (which is wholly owned by Mr. Kong Lixing, an executive Director) as to approximately 12.50%, Jin Hong Tai Holdings Limited (which is wholly owned by Mr. Dong Jianqiang, an executive Director) as to approximately 12.22%, Atelier Urbaneer Limited (which is wholly owned by Mr. Zhao Guo Xing, an executive Director) as to 7% and Nexterm Holdings Limited (which is wholly owned by Mr. He Yongyi, an executive Director) as to 5%.

Note 2: Mr. Pang Kuo-Shi is deemed to be interested in 74,403,000 shares held by Modern Wealth Assets Limited, a company wholly owned by Mr. Pang Kuo-Shi.

Other than as disclosed above, none of the directors, 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 31 December 2016.

DIRECTORS' REPORT

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

During the year ended 31 December 2016, no share options were granted or exercised. As at 31 December 2016, no share options were outstanding.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUFFICIENCY OF PUBLIC FLOAT

Save that the Exchange had granted to the Company a waiver from strict compliance with the minimum public float requirement for the period from 6 October 2016 to 5 December 2016 and the minimum public float was restored on 2 December 2016, the Company has maintained a sufficient public float throughout the Year ended 31 December 2016.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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.

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 31 December 2016.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 to the consolidated financial statements, there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business, and in accordance with the terms of the agreement governing such transactions and are fair and reasonable and in the interest of the shareholders of the Company as a whole.

No contract of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the directors of the Company are determined with regard to the Group's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESIGNATION AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

With effect from 29 November 2016, each of Dr. Lui Ming Wah, SBS, JP and Mr. Wong Kwong Chi had ceased to be an independent non-executive director of the Company due to other business commitments.

Mr. Liu Ping Chun was appointed an independent non-executive director of the Company on 15 September 2016 and each of Dr. Hon. Lo Wai Kwok SBS, MH, JP and Dr. Zhu Wenhui was appointed an independent non-executive director of the Company on 29 November 2016.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any business or interest in any company that competes or may compete with the business of the Group, nor any other conflict of interest which any such person has or may have with the Group.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$6,000.

DIRECTORS' REPORT

EVENT AFTER THE REPORTING PERIOD

After the end of reporting period, the Directors proposed a final dividend of HK0.3 cents per share (2015: HK1.0 cents). Further details are disclosed in note 31. Save for the proposal of final dividend, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this Announcement.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company scheduled to be held on 5 May 2017, Friday at Unit 907, 9/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wang Li Feng
CHAIRMAN
27 March 2017

CORPORATE GOVERNANCE REPORT

The Company complied throughout the Year with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save for one exception: 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 all 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 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. 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 compiled 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.

APPOINTMENT AND RESIGNATION OF DIRECTORS DURING THE YEAR

The directors of the Company appointed and resigned during the year and up to the date of this report were:

Executive directors:	
Mr. Wang Li Feng (Chairman) ("**Mr. Wang**")	(appointed on 15 September 2016)
Mr. Kong Lixing ("**Mr. Kong**")	(appointed on 15 September 2016)
Mr. Dong Jianqiang ("**Mr. Dong**")	(appointed on 15 September 2016)
Mr. Zhao Guo Xing ("**Mr. Zhao**")	(appointed on 15 September 2016)
Mr. He Yongyi (Chief Operation Officer) ("**Mr. He**")	(appointed on 15 September 2016)
Mr. Hsia Chieh-Wen ("**Mr. Hsia**")	(resigned on 29 November 2016)
Independent non-executive directors:	
Mr. Liu Ping Chun ("**Mr. Liu**")	(appointed on 15 September 2016)
Dr. Hon. Lo Wai Kwok SBS, MH, JP ("**Dr. Lo**")	(appointed on 29 November 2016)
Dr. Zhu Wenhui ("**Dr. Zhu**")	(appointed on 29 November 2016)
Dr. Lui Ming Wah, SBS, JP ("**Dr. Lui**")	(resigned on 29 November 2016)
Mr. Wong Kwong Chi ("**Mr. KC Wong**")	(resigned on 29 November 2016)

BOARD COMPOSITION

The Board of directors ("**Board**") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day-to-day management of the Company, which is delegated, to the Chairman and Chief Executive Officer and the management.

On the date of the report, the Board comprises a total of eleven directors, with seven executive directors, namely, Mr. Wang (Chairman), Mr. Wong Chun (Deputy Chairman and Chief Executive Officer ("**Mr. Wong**")), Mr. He (Chief Operation Officer), Mr. Pang Kuo Shi ("**Mr. Pang**"), Mr. Kong, Mr. Dong and Mr. Zhao and four independent non-executive directors, namely, Mr. Liu, Mr. Lau Ho Kit, Ivan ("**Mr. Lau**"), Dr. Lo and Dr. Zhu. Mr. Lau has appropriate professional qualifications, accounting and financial management expertise.

CORPORATE GOVERNANCE REPORT

The posts of chairman and chief executive officer are separated and are exercised by different individuals to ensure a clear division between the chairman's responsibility to manage the Board and the chief executive officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The types of decisions taken out by the Board include matters in relation to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies

The Board has delegated the decision-making regarding the daily operation and administration of the Company to the management, under the supervision of the Chief Executive Officer.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2016, the Board constituted by the former members held four meetings.

The attendance record of each former member of the Board during the year is set out below:

	Attendance
Executive Directors	
Mr. Pang	4/4
Mr. Wong (Deputy Chairman and Chief Executive Officer)	4/4
Mr. Hsia (resigned on 29 November 2016)	4/4
Mr. Wang (Chairman) (appointed on 15 September 2016)	1/1
Mr. He (Chief Operation Officer) (appointed on 15 September 2016 and appointed as Chief Operation Officer since 29 November 2016)	1/1
Mr. Kong (appointed on 15 September 2016)	1/1
Mr. Dong (appointed on 15 September 2016)	1/1
Mr. Zhao (appointed on 15 September 2016)	1/1
Independent Non-executive Directors	
Dr. Lui (resigned on 29 November 2016)	4/4
Mr. Lau	4/4
Mr. KC Wong (resigned on 29 November 2016)	4/4
Mr. Liu (appointed on 15 September 2016)	1/1
Dr. Lo (appointed on 29 November 2016)	–
Dr. Zhu (appointed on 29 November 2016)	–

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee of the Company (the "**Remuneration Committee**") was formed for, inter alia, the following purposes:

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for executive directors and senior management and to make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee was initially made up of all of the Company's independent non-executive directors, namely, Mr. KC Wong (Chairman), Dr. Lui and Mr. Lau, and an executive director, Mr. Wong.

On 29 November 2016, Dr. Lui and Mr. KC Wong resigned from being the chairman and a member of the Remuneration Committee respectively. On the same day, Mr. Liu was appointed as the chairman of the Remuneration Committee.

On 20 February 2017, each of Dr. Lo and Dr. Zhu was appointed as a member of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the Remuneration Committee was made up of all Mr. Liu (Chairman), Dr. Lo and Dr. Zhu, all are independent non-executive Directors, and Mr. Wong (executive Director).

The attendance record of each former member of the remuneration committee during 2016 and as at the date of this report is set out below:

Members of Remuneration Committee	Attendance
Mr. Wong	1/1
Dr. Lui (resigned on 29 November 2016)	1/1
Mr. Lau	1/1
Mr. KC Wong (Chairman) (resigned on 29 November 2016)	1/1
Mr. Liu (Chairman) (appointed on 29 November 2016)	–
Dr. Lo (appointed on 20 February 2017)	–
Dr. Zhu (appointed on 20 February 2017)	–

A meeting was held on 24 March 2016 to consider and determine (a) the bonus payment of the executive directors, (b) bonus payments to employees of the Group and (c) the salary increases of senior management and employees of the Group for the Board's approval. Mr. KC Wong, Dr. Lui, Mr. Lau and Mr. Wong attended this meeting.

Details regarding the Company's emolument policy and long-term incentive schemes, as well as the basis of determining the directors' emoluments are set out in this Annual Report.

The Remuneration Committee will meet and review the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's directors in 2016.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 26 March 2013 pursuant to the Revised Code.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditors, Deloitte Touche Tomatsu, to the Company in the year 2016 amounted to HK$680,000 and HK$46,600 respectively. Non-audit services provided by Deloitte Touche Tomatsu included the review of the Group's tax compliance.

AUDIT COMMITTEE

As the date of the announcement, the audit committee of the Company (the "**Audit Committee**") comprises four members, namely Mr. Lau (Chairman), Mr. Liu, Dr. Lo and Dr. Zhu, all are independent non-executive directors of the Company.

Movements of the Audit Committee Members

Each of Dr. Lui and Mr. KC Wong had resigned from being a member of the Audit Committee with effect from 29 November 2016.

Each of Mr. Liu, Dr. Lo and Dr. Zhu was appointed as a member of the Audit Committee with effect from 29 November 2016.

The attendance record of each former member of the audit committee during 2016 and as at the date of this report is set out below:

	Attendance
Mr. Lau (Chairman)	4/4
Dr. Lui (resigned on 29 November 2016)	4/4
Mr. KC Wong (resigned on 29 November 2016)	4/4
Mr. Liu (appointed on 29 November 2016)	–
Dr. Lo (appointed on 29 November 2016)	–
Dr. Zhu (appointed on 29 November 2016)	–

Review of Preliminary Announcement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been compared by the Company's external auditor, Deloitte Touche Tohmatsu, Certified Public Accountants, with the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement.

The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this preliminary announcement.

The new members of the Audit Committee has met Deloitte Touche Tohmatsu, and reviewed the annual results for the Year and has recommended its adoption by the Board.

NOMINATION OF DIRECTORS

On 26 March 2012, the Board has established a nomination committee (the "**Nomination Committee**") pursuant to the requirements of the Revised Code. The Committee adopted the following procedure and criteria for nomination of Directors:

1. Procedure for Nomination of Directors

1.1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

1.2. Prepare a description of the role and capabilities required for the particular vacancy.

1.3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

1.4. Arrange interview(s) with each candidate for the Board to evaluate whether the candidate meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

1.5. Conduct verification on information provided by the candidate.

1.6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

2. Criteria for Nomination of Directors

2.1. Common Criteria for All Directors

(a) Character and integrity

(b) The willingness to assume broad fiduciary responsibility

(c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

(e) Significant business or public experience relevant and beneficial to the Board and the Company

(f) Breadth of knowledge about issues affecting the Company

(g) Ability to objectively analyse complex business problems and exercise sound business judgment

(h) Ability and willingness to contribute special competencies to Board activities

(i) Fit with the Company's culture

2.2. Criteria for Non-Executive Directors

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings

(b) Accomplishments of the candidate in his or her field

(c) Outstanding professional and personal reputation

(d) The candidate's ability to meet the independence criteria for directors established in the GEM Listing Rules

The attendance record of each former member of the nomination committee during 2016 and as at the date of this report is set out below:

Members of Nomination Committee	Attendance
Mr. Pang (Chairman as at 29 November 2016)	1/1
Mr. Wang (Chairman since 29 November 2016)	–
Mr. Wong	1/1
Mr. Hsia (Resigned on 29 November 2016)	1/1
Dr. Lui (Resigned on 29 November 2016)	1/1
Mr. Lau	1/1
Mr. KC Wong (Resigned on 29 November 2016)	1/1
Mr. Zhao (appointed on 29 November 2016)	–
Mr. Kong (appointed on 29 November 2016)	–
Mr. Liu (appointed on 29 November 2016)	–
Dr. Lo (appointed on 29 November 2016)	–
Dr. Zhu (appointed on 29 November 2016)	–

The Nomination Committee established on 26 March 2012 considers matters regarding the nomination and/or appointment or reappointment of director(s).

A statement of director's responsibilities for preparing the financial statements is set out in this Annual Report. The Auditor's Report states auditors Reporting responsibilities.

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of provision of training materials. The Directors have also attended seminars provided by sophisticated external organizations. A summary of training received by Directors during the year according to the records provided by the Directors is as follows:

		Training on corporate governance, regulatory development and other relevant topics by reading training materials and/or attending seminars
Executive directors:		
Mr. Wang (Chairman)	(appointed on 15 September 2016)	✓
Mr. Wong (Chief Executive Officer)		✓
Mr. Pang		✓
Mr. Kong	(appointed on 15 September 2016)	✓
Mr. Dong	(appointed on 15 September 2016)	✓
Mr. Zhao	(appointed on 15 September 2016)	✓
Mr. He (Chief Operation Officer)	(appointed on 15 September 2016)	✓
Mr. Hsia	(resigned on 29 November 2016)	✓
Independent non-executive directors:		
Mr. Lau		
Mr. Liu	(appointed on 15 September 2016)	✓
Dr. Lo	(appointed on 29 November 2016)	✓
Dr. Zhu	(appointed on 29 November 2016)	✓
Dr. Lui	(resigned on 29 November 2016)	✓
Mr. KC Wong	(resigned on 29 November 2016)	✓

SHAREHOLDERS' RIGHTS

According to the Articles of Association and following the Change of Domicile of the Company from Cayman Islands to Bermuda, the Bye-Laws any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the board or senior management via e-mail to wong@glorymark.com.hk, or directly through the questions and answers session at shareholder meetings.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF GLORY MARK HI-TECH (HOLDINGS) LIMITED
輝煌科技(控股)有限公司
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Glory Mark Hi-Tech (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 33 to 76, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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 Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 *Valuation of trade receivables*	How our audit addressed the key audit matters
We identified the valuation on trade receivables as a key audit matter due to the use of judgment and estimates on the recoverability of overdue trade receivables. In determining the allowance for trade receivables, the management considers the credit history of individual trade debtor, including default or delay in payments, settlement records and aging analysis of the trade receivables. At 31 December 2016, the carrying amount of trade receivables is HK$75,133,000 and details of the balances are set out in notes 4 and 19 to the consolidated financial statements.	Our procedures in relation to valuation on trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management. • Understanding and testing the entity's key controls relating to the assessment of recoverability of overdue trade receivables; • Reviewing the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; • Testing the aging analysis of the trade receivables, on a sample basis, to the source documents; • Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, subsequent settlements and aging analysis of each individual trade debtors; and • Testing collection after the end of report period, on a sample basis, to the source documents.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition	
We identified revenue recognition, as a key audit matter due to revenue is significance to the consolidated financial statements as a whole. For the year ended 31 December 2016, the amount of revenue is HK$324,670,000. The Group is engaged in the manufacture and sale of connectivity products. Revenue from sales of connectivity products is recognised when significant risks and rewards of ownership of goods are transferred to the customers upon delivery on board the vessel. The accounting policy for revenue is set in note 3 to the consolidated financial statements.	Our procedures in relation to the occurrence of sales transactions included: • Testing the key controls of the Group's over the flow of revenue, on a sample basis, to evaluate whether the Group's accounting policy on revenue recognition has been consistently applied; • Performing test of details, on a sample basis, by tracing to supporting documents including bills of lading, invoices, packing list and purchase orders of the sales transactions and agreeing their details; • Understanding the correlation between revenue and transportation costs and identify any material fluctuation of revenue.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our 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 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.

Those charged with governance are 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	7	**324,670**	296,497
Cost of sales		**(278,231)**	(270,306)
Gross profit		**46,439**	26,191
Other income		**3,901**	2,648
Other gains and losses		**12**	(8,267)
Change in fair value of investment properties	16	**280**	(490)
Selling and distribution expenses		**(11,334)**	(10,587)
Administrative expenses		**(34,203)**	(24,834)
Profit (loss) before taxation		**5,095**	(15,339)
Income tax expense	10	**(2,615)**	(2,124)
Profit (loss) for the year	11	**2,480**	(17,463)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(691)**	(2,233)
Total comprehensive income (expense) for the year		**1,789**	(19,696)
Profit (loss) for the year attributable to:			
Owners of the Company		**2,953**	(17,688)
Non-controlling interests		**(473)**	225
		2,480	(17,463)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**2,262**	(19,921)
Non-controlling interests		**(473)**	225
		1,789	(19,696)
Earnings (loss) per share	13		
Basic		**HK0.46 cents**	(HK2.76 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**54,665**	60,501
Prepaid lease payments	15	**7,749**	8,450
Investment properties	16	**11,490**	11,210
Club debenture	17	**1,160**	560
Deposits for land use rights		**590**	626
		75,654	81,347
CURRENT ASSETS			
Inventories	18	**27,364**	18,040
Trade and other receivables	19	**81,472**	72,689
Prepaid lease payments	15	**215**	228
Bank balances and cash	20	**43,031**	91,749
		152,082	182,706
CURRENT LIABILITIES			
Trade and other payables	21	**106,820**	79,818
Amounts due to directors	22	**1,463**	1,330
Taxation payable		**30,207**	29,528
		138,490	110,676
NET CURRENT ASSETS		**13,592**	72,030
NET ASSETS		**89,246**	153,377
CAPITAL AND RESERVES			
Share capital	23	**6,400**	64,000
Reserves		**82,143**	88,201
Equity attributable to owners of the Company		**88,543**	152,201
Non-controlling interests		**703**	1,176
TOTAL EQUITY		**89,246**	153,377

The consolidated financial statements on pages 33 to 76 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

Wang Li Feng
DIRECTOR

Wong Chun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to owners of the company							
	Share capital	Merger reserve	Translation reserve	Contributed surplus	Retained profits	Sub-total	Non-Controlling interest	Total
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	64,000	680	12,118	–	97,244	174,042	951	174,993
Profit (loss) for the year	–	–	–	–	(17,688)	(17,688)	225	(17,463)
Other comprehensive expense	–	–	(2,233)	–	–	(2,233)	–	(2,233)
Total comprehensive (expense) income for the year	–	–	(2,233)	–	(17,688)	(19,921)	225	(19,696)
Dividends *(Note 9)*	–	–	–	–	(1,920)	(1,920)	–	(1,920)
At 31 December 2015	**64,000**	**680**	**9,885**	**–**	**77,636**	**152,201**	**1,176**	**153,377**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**2,953**	**2,953**	**(473)**	**2,480**
Other comprehensive expense	**–**	**–**	**(691)**	**–**	**–**	**(691)**	**–**	**(691)**
Total comprehensive (expense) income for the year	**–**	**–**	**(691)**	**–**	**2,953**	**2,262**	**(473)**	**1,789**
Capital reorganisation *(Note 16)*	**(57,600)**	**–**	**–**	**57,600**				
Dividends *(Note 9)*	**–**	**–**	**–**	**(57,600)**	**(8,320)**	**(65,920)**	**–**	**(65,920)**
At 31 December 2016	**6,400**	**680**	**9,194**	**–**	**72,269**	**88,543**	**703**	**89,246**

Note:

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the group reorganisation in 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**5,095**	(15,339)
Adjustments for:		
Interest income	**(158)**	(134)
Depreciation of property, plant and equipment	**6,608**	7,197
Amortisation of prepaid lease payments	**225**	238
Provision of allowance for inventories	**682**	424
Change in fair value of investment properties	**(280)**	490
Gain on disposal of property, plant and equipment	**(12)**	(12)
Impairment loss on available-for-sale investments	**–**	8,279
Operating cash flows before movements in working capital	**12,160**	1,143
(Increase) decrease in inventories	**(10,885)**	5,504
(Increase) decrease in trade and other receivables	**(8,770)**	7,734
Increase (decrease) in trade and other payables	**28,075**	(2,291)
Cash generated from operations	**20,580**	12,090
Income taxes paid	**(569)**	(277)
NET CASH FROM OPERATING ACTIVITIES	**20,011**	11,813
INVESTING ACTIVITIES		
Decrease in deposits paid for acquisition of property, plant and equipment	**–**	2,068
Proceeds from disposal of property, plant and equipment	**12**	12
Interest received	**158**	134
Purchase of property, plant and equipment	**(3,668)**	(9,442)
Deposit paid for club debenture	**(600)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(4,098)**	(7,228)
FINANCING ACTIVITIES		
Dividends paid	**(65,920)**	(1,920)
Increase in amounts due to directors	**133**	–
NET CASH USED IN FINANCING ACTIVITIES	**(65,787)**	(1,920)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(49,874)**	2,665
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**91,749**	89,574
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,156**	(490)
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**43,031**	91,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the Growth Enterprise Market ("**GEM**") operated by the Stock Exchange of Hong Kong Limited (the "**Exchange**") 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 2016.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 29.

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 of the Company consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Inititative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets of Unrealised Losses[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customer[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 cycle[5]

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

New and amendments to HKFRSs in issue but not yet effective *(continued)*

1 Effective for annual periods beginning on or after 1 January 2018.

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

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

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

HKFRS 9 *Financial Instruments* *(continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have financial impact on amounts reported in respect of the Group's financial assets and financial liabilities. Currently, the directors of the Company is in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 15 *Revenue from Contracts with Customers and related Amendments*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise 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 or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$2,787,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company do not expect the application of the other new and amendments to HKFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements or future financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each accounting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between member of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of rental income from operating lease is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee *(continued)*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Club debenture

Club debenture with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation of convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables and amounts due to directors) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Fair value of investment properties

As at 31 December 2016, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$11,490,000 (2015: HK$11,210,000). The fair value was based on valuations on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes in relation to the fair value changes of investment properties.

Key source of estimation uncertainty

The following is the key source of estimation uncertainty at the end of the reporting period that has a significant risk of cursing a material adjustment to the carrying amount of asset within the next financial year.

Estimated allowance for doubtful debts of trade receivables

Estimated allowance for doubtful debts are provided and assessed based on the directors' estimation of the recoverability of overdue trade debtors. In determining the allowance for trade receivables, the management considers the credit history of individual trade debtor, including default or delay in payments, settlement records and aging analysis of the trade receivables. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of trade receivables is HK$75,133,000 (2015: HK$65,404,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**118,280**	157,269
Financial liabilities at amortised cost	**72,692**	55,676

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and amounts due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

	2016 **HK$'000**	2015 HK$'000
Assets		
USD (note 1)	**748**	1,219
New Taiwan dollar ("**NTD**")	**1,455**	1,606
Renminbi ("**RMB**")	**1,885**	27,544
Liabilities		
NTD	**1,737**	1,935
RMB	**6,022**	1,850

Note 1: Functional currency of the respective subsidiaries is RMB/HK$.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in USD against RMB and NTD. 5% (2015: 5%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2015: 5%) change in the foreign currency rates. A positive number (negative number) indicates an increase in profit/a decrease in loss (a decrease in profit/an increase in loss) where RMB and NTD strengthens against the USD.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) ***Market risk*** *(continued)*

Currency risk (continued)

	Impact of RMB		Impact of NTD	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact on profit/loss for the year	**(207)**	1,284	**(26)**	(25)

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 20 for details) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see note 20 for details). In relation to the fixed-rate bank deposits, the directors of the Company consider the Group's exposure to fair value interest rate risks is not significant as these deposits are all short-term in nature.

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances at the end of the reporting period. A 4 (2015: 4) basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 4 (2015: 4) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by HK$5,800 (2015: post-tax profit would increase/decrease by HK$19,400).

In management's opinion, the sensitivity analysis is unpresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective recognised assets as stated in the consolidated statement of financial position.

The Group's principal financial assets are trade and other receivables and bank balances.

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. At 31 December 2016, the top five customers of the Group accounted for about 70.7% (2015: 82.8%) of the Group's trade receivables, all of which are engaged in business of connectivity products with good reputation. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company by maintaining an adequate level of bank balances and cash. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) ***Credit risk*** *(continued)*

	On demand or less than 30 days HK$'000	31 – 90 days HK$'000	91 – 365 days HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2016					
Non-interest bearing					
Trade and other payables	**25,740**	**32,151**	**13,338**	**71,229**	**71,229**
Amounts due to directors	**1,463**	**–**	**–**	**1,463**	**1,463**
	27,203	**32,151**	**13,338**	**72,692**	**72,692**
As at 31 December 2015					
Non-interest bearing					
Trade and other payables	18,373	24,007	11,966	54,346	54,346
Amounts due to directors	1,330	–	–	1,330	1,330
	19,703	24,007	11,966	55,676	55,676

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

	2016 HK$'000	2015 HK$'000
Sales of connectivity products mainly for computers and peripheral products	**324,670**	296,497

8. 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.

Segment information reported internally for the purposes of resource 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 reportable and operating segments under HKFRS 8 are as follows:

	2016			2015		
	OEM customers	**Retail distributors**	**Total**	OEM customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
– External sales	**246,072**	**78,598**	**324,670**	224,231	72,266	296,497
SEGMENT PROFIT	**38,640**	**7,799**	**46,439**	21,991	4,200	26,191
Unallocated expenses			**(45,537)**			(35,421)
Other income			**3,901**			2,648
Other gains and losses			**12**			(8,267)
Change in fair value of investment properties			**280**			(490)
Profit (loss) before taxation			**5,095**			(15,339)

8. SEGMENT INFORMATION *(continued)*

	2016			2015		
	OEM customers	**Retail distributors**	**Total**	OEM customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND SEGMENT ASSETS						
Trade receivables *(Note)*	**59,889**	**15,244**	**75,133**	53,192	12,212	65,404
Property, plant and equipment, prepaid lease payments and inventories *(Note)*			**89,993**			87,219
Total segment assets			**165,126**			152,623
Other unallocated assets			**62,610**			111,430
Total assets			**227,736**			264,053

The Group's segment liabilities are not presented as they are not regularly reviewed by the Group's executive directors.

Note:

The nature of products, the production processes and the methods used to distribute the products to the two classes of customers are similar. The Group's production facilities and inventories are located in the People's Republic of China (the "**PRC**"). These two classes of customers utilise the Group's resources in a similar manner. Accordingly, the property, plant and equipment, prepaid lease payments and receivables are not separately allocated to the individual segments. In contrast, the Group's executive directors regularly review trade receivables by operating segment.

Geographical information

The Group's operations are located in Hong Kong, the PRC and Taiwan.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

8. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

	Revenue from external customers	
	2016	2015
	HK$'000	*HK$'000*
Korea	**157,827**	107,467
Taiwan	**64,587**	94,495
Japan	**63,978**	64,407
United States of America	**24,272**	17,156
Others	**14,006**	12,972
	324,670	296,497

	Non-current assets (excluding club debenture)	
	2016	2015
	HK$'000	*HK$'000*
PRC	**62,022**	68,450
Hong Kong	**11,568**	11,251
Others	**904**	1,086
	74,494	80,787

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**131,777**	74,933
Customer B[1]	**44,312**	78,518
Customer C[2]	**54,202**	53,827

1 Revenue from OEM customers

2 Revenue from Retail distributors

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Company Ordinance, is as follows:

Executive directors

	Mr. Wang Li Feng[1]	Mr. Wong Chun	Mr. Pang Kuo-Shi	Mr. Kong Lixing[1]	Mr. Dong Jianqiang[1]	Mr. Zhao Guo Xing[1]	Mr. He Yongyi[1]	Mr. Hsia Chieh-Wen[2]	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments:									
Salaries and other benefits	–	2,138	2,171	–	–	–	–	1,232	5,541
Retirement benefit scheme	–	17	–	–	–	–	–	14	31
	–	2,155	2,171	–	–	–	–	1,246	5,572

[1] appointed on 15 September 2016

[2] resigned on 29 November 2016

	Mr. Pang Kuo-Shi	Mr. Wong Chun	Mr. Hsia Chieh-Wen	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2015				
Fees	–	–	–	–
Other emoluments:				
Salaries and other benefits	1,865	1,838	1,288	4,991
Retirement benefit scheme contributions	–	17	14	31
	1,865	1,855	1,302	5,022

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

Independent non-executive directors

	Mr. Liu Ping Chun[1]	Mr. Lau Ho Kit, Ivan	Dr. Hon. Lo Wai Kwok SBS, MH, JP[2]	Dr. Zhu Wenhui[2]	Dr. Lui Ming Wah, SBS, JP[3]	Mr. Wong Kwong Chi[3]	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016							
Fees	**10**	**91**	**10**	**10**	**81**	**81**	**283**
Other emoluments:							
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	10	**91**	**10**	**10**	**81**	**81**	**283**

[1] appointed on 15 September 2016

[2] appointed on 29 November 2016

[3] resigned on 29 November 2016

	Dr. Lui Ming Wah, SBS, JP	Mr. Lau Ho Kit, Ivan	Mr. Wong Kwong Chi	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2015				
Fees	88	88	88	264
Other emoluments:				
Salaries and other benefits	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–
	88	88	88	264

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the current year, no emoluments were paid by the Group to these directors as an inducement to join or upon joining the Group or as compensation for loss of office and no director had waived any emoluments.

Mr. Wong Chun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

Employees

Of the five highest paid individuals of the Group, three (2015: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2015: two) individuals, each of whom has emoluments falling within the band of zero to HK$1,000,000, were as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**1,334**	1,221
Retirement benefit scheme contributions	**37**	37
	1,371	1,258

10. INCOME TAX EXPENSE

The amount represents current tax charge on assessable profits arising in jurisdictions other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdictions. Majority of the subsidiaries are subject to enterprise income tax in the PRC. The applicable enterprise income tax rate of the PRC is 25% in accordance with the relevant income tax law and regulations in the PRC for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as there is no assessable profits for both years.

The taxation charge for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **HK$'000**	2015 HK$'000
Profit (loss) before taxation	**5,095**	(15,339)
Tax at the domestic income tax rate of 25%	**1,274**	(3,835)
Tax effect of income not taxable for tax purpose	**(1,326)**	(1,438)
Tax effect of expenses not deductible for tax purpose	**3,497**	7,074
Utilisation of tax losses	**(852)**	(13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**22**	336
Taxation charge for the year	**2,615**	2,124

At 31 December 2016, the Group has unused tax losses of HK$19,971,000 (2015: HK$23,379,000) available for offset against future profits. The tax losses arising from Hong Kong subsidiaries may be brought forward indefinitely while those arising from PRC subsidiaries may be brought forward for 5 years. Unused tax losses related to PRC subsidiaries amounted to HK$971,000 (2015: HK$4,379,000) and will expire between 2017 and 2021 (2015: between 2016 and 2020).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. PROFIT (LOSS) FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging and (crediting):		
Directors' remuneration	**5,855**	5,286
Other staff costs		
Salaries and other benefits	**77,376**	78,495
Retirement benefit scheme contributions (excluding directors)	**7,366**	6,152
Total staff costs	**90,597**	89,933
Auditor's remuneration	**854**	850
Depreciation	**6,608**	7,197
Amortisation of prepaid lease payments	**225**	238
Cost of inventories recognised as expenses	**278,231**	270,306
Impairment loss on available-for-sale investments (included in other gains and losses)	**–**	8,279
Gain on disposal of property, plant and equipment (included in other gains and losses)	**(12)**	(12)
Net foreign exchange (gain) loss	**(517)**	634
Interest income on bank deposits (included in other income)	**(158)**	(134)
Rental income (included in other income)	**(1,285)**	(1,218)

12. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 Special – HK9.3 cents per share (2015: Nil)	**59,520**	–
2015 Final – HK1 cent (2015: 2014 final dividend of HK0.30 cents) per share	**6,400**	1,920
	65,920	1,920

Subsequent to the end of the reporting year, a final dividend in respect of the year ended 31 December 2016 of HK0.3 cents (2015: final dividend in respect of the year ended 31 December 2015 of HK1.00 cent) per ordinary share, in an aggregate amount of HK$1,920,000 (2015: HK$6,400,000) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to the owners of the Company	**2,953**	(17,688)
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**640,000**	640,000

No diluted earnings per share has been presented because the Company did not have any outstanding potential dilutive ordinary share during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Furniture and fixtures**	**Office equipment**	**Computer equipment**	**Machinery**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2015	59,351	29,603	5,383	1,340	78,417	4,248	178,342
Exchange realignment	(2,986)	(469)	(191)	(126)	(3,582)	(174)	(7,528)
Additions	–	337	118	1,930	7,057	–	9,442
Disposals	–	–	–	–	–	(172)	(172)
At 31 December 2015	**56,365**	**29,471**	**5,310**	**3,144**	**81,892**	**3,902**	**180,084**
Exchange realignment	**(2,973)**	**(455)**	**(186)**	**(318)**	**(3,784)**	**(157)**	**(7,873)**
Additions	**–**	**116**	**91**	**10**	**3,224**	**227**	**3,668**
Disposals	**–**	**–**	**–**	**–**	**–**	**(36)**	**(36)**
At 31 December 2016	**53,392**	**29,132**	**5,215**	**2,836**	**81,332**	**3,936**	**175,843**
DEPRECIATION							
At 1 January 2015	12,199	27,733	4,940	1,137	68,723	2,369	117,101
Exchange realignment	(680)	(444)	(183)	(68)	(3,065)	(103)	(4,543)
Provided for the year	1,210	823	169	163	4,189	643	7,197
Eliminated on disposals	–	–	–	–	–	(172)	(172)
At 31 December 2015	**12,729**	**28,112**	**4,926**	**1,232**	**69,847**	**2,737**	**119,583**
Exchange realignment	**(741)**	**(435)**	**(180)**	**(78)**	**(3,403)**	**(140)**	**(4,977)**
Provided for the year	**1,152**	**560**	**149**	**375**	**3,956**	**416**	**6,608**
Eliminated on disposals	**–**	**–**	**–**	**–**	**–**	**(36)**	**(36)**
At 31 December 2016	**13,140**	**28,237**	**4,895**	**1,529**	**70,400**	**2,977**	**121,178**
CARRYING VALUES							
At 31 December 2016	**40,252**	**895**	**320**	**1,307**	**10,932**	**959**	**54,665**
At 31 December 2015	43,636	1,359	384	1,912	12,045	1,165	60,501

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

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% or over the remaining term of the relevant lease, if shorter
Furniture and fixtures	20% - 33%
Office equipment	20% - 25%
Computer equipment	20%
Machinery	14% - 20%
Motor vehicles	17% - 20%

15. PREPAID LEASE PAYMENTS

Analysis of the carrying amount of prepaid lease payments are as follows:

	2016	2015
	HK$'000	HK$'000
Non-current asset	**7,749**	8,450
Current asset	**215**	228
	7,964	8,678

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2015	11,700
Increase in fair value recognised in profit or loss	(490)
At 31 December 2015	11,210
Increase in fair value recognised in profit or loss	280
At 31 December 2016	11,490

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2016 have been arrived at on the basis of a valuation carried out on that date by Centaline Surveyors Limited, an independent qualified professional valuer not connected with the Group.

16. INVESTMENT PROPERTIES *(continued)*

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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Investment property 1	Level 3	Direct comparison method The key input is (1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK$4,920 per square feet on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
Investment property 2	Level 3	Direct comparison method The key input is (1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK$8,720 per square feet on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 are as follows:

	Level 3 HK$'000	**Fair value as at 31/12/2016** HK$'000
Commercial property units located in Hong Kong	11,490	11,490

There were no transfers into or out of Level 3 during the current year.

17. CLUB DEBENTURE

The club debenture represents entrance fee paid to a golf club. The directors of the Company consider that no impairment is identified with reference to market price of the club debenture.

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials and consumables	7,140	7,397
Work in progress	8,194	4,409
Finished goods	12,030	6,234
	27,364	18,040

During the current year, there are provision of allowance of HK$682,000 (2015: HK$424,000) has been recognised and included in cost of sales.

19. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	75,133	65,404
Other receivables, prepayment to suppliers and deposits	6,339	7,285
Total trade and other receivables	81,472	72,689

The Group allows an average credit year ranging from 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting year which approximated the respective revenue recognition dates:

	2016 HK$'000	2015 HK$'000
0-30 days	29,868	27,842
31-120 days	44,924	35,177
121-180 days	295	539
Over 180 days	46	1,846
	75,133	65,404

19. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$46,000 (2015: HK$1,982,000) which have been past due at the end of the reporting year for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 273 days (2015: 283 days).

Ageing of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	*HK$'000*
121-180 days	**–**	136
Over 180 days	**46**	1,846
	46	1,982

20. BANK BALANCES AND CASH

Bank balances comprise short-term bank deposits with the original maturity of three months or less of HK$1,220,000 (2015: HK$19,650,000) at fixed interest rates ranging from 0.01% to 5.00% (2015: 0.01% to 5.00%) per annum and bank balances of HK$40,240,000 (2015: HK$69,222,000) at variable interest rates with effective interest rates ranging from 0.001% to 0.385% (2015: 0.001% to 0.385%) per annum and cash balances of HK$1,571,000 (2015: HK$2,877,000).

21. TRADE AND OTHER PAYABLES

The Group has been granted an average credit year ranging from 30 to 150 days from its trade suppliers for both years.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting year:

	2016	2015
	HK$'000	*HK$'000*
Trade payables		
Within 30 days	**21,135**	13,885
31 – 90 days	**32,134**	24,007
91 – 150 days	**9,827**	8,922
Over 150 days	**3,435**	3,043
	66,531	49,857
Other payables		
Receipt-in-advance	**6,163**	5,804
Staff salaries and welfare payable	**18,710**	14,171
Deposits received from customers	**2,080**	809
Value added tax payable and other tax payable	**1,921**	2,024
Accrued operating expenses	**6,603**	4,201
Others	**4,812**	2,952
	40,289	29,961
	106,820	79,818

22. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

23. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016**	2015
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 (2015: HK$0.1) each				
Authorised:				
At beginning of year	**1,000,000**	1,000,000	**100,000**	100,000
Capital reorganisation *(note)*	**9,000,000**	–	**–**	–
At end of year	**10,000,000**	1,000,000	**100,000**	100,000

	Number of shares		Share capital	
	2016	2015	**2016**	2015
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid:				
At beginning of year	**640,000**	640,000	**64,000**	64,000
Capital reorganisation *(note)*	**–**	–	**(57,600)**	–
At end of year	**640,000**	640,000	**6,400**	64,000

Note:

The capital reorganisation of the Company has become effective on 10 March 2016 which involves the followings:

(1) The issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.09 on each of the then issued shares such that the nominal value of each issued share will be reduced from HK$0.10 to HK$0.01 (the "**Capital Reduction**");

(2) Immediately following the Capital Reduction, each of the authorised share of HK$0.10 will be sub-divided into ten shares of HK$0.01 each; and

(3) The credits arising in the books of the Company from the Capital Reduction will be credited to the contributed surplus account of the Company which will then be applied by the Company for the purposes of setting off, if any in future, its accumulated losses, the future distribution to the shareholders.

24. COMMITMENTS

	2016 HK$'000	2015 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**203**	183

25. OPERATING LEASES

The Group as lessee

During the current year, minimum lease payments made under operating leases in respect of rented premises was HK$1,835,000 (2015: HK$2,055,000). At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**1,598**	1,829
In the second to fifth year inclusive	**1,189**	331
	2,787	2,160

Leases are negotiated for terms ranging from one to three years with fixed monthly rentals.

The Group as lessor

Property rental income earned during the year was HK$1,285,000 (2015: HK$1,218,000) before deduction of direct operating expenses of HK$6,000 (2015: HK$6,000).

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**1,235**	1,389
In the second to fifth year inclusive	**1,169**	2,447
	2,404	3,836

26. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 13 December 2001 (the "**Scheme**") for the purpose of providing incentives to directors and eligible employees, the Company may grant options to executive directors and full-time employees of the Group to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

A nominal consideration of HK$1 is payable on acceptance of the grant of options. Options may be exercised at any time from the thirteenth month from the date of grant to the fifth anniversary of the date of grant. The exercise price is determined by the Directors, and will be at least the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

No share options were granted under the Scheme since its adoption.

27. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme and a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong and the ROC, respectively. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% and 6% of relevant payroll costs to the Mandatory Provident Fund Scheme and the defined contribution retirement benefit scheme respectively, which contribution is matched by employees. For contribution to the Mandatory Provident Fund, the maximum amount is HK$1,500 per month.

Eligible staff of subsidiaries operating in the PRC currently participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries is required to contribute an amount of 10% on the covered payroll of its employees to the central pension scheme for the funding of the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of the eligible employees of the PRC subsidiaries.

The total cost charged to profit or loss in the consolidated statement of profit or loss and other comprehensive income of HK$7,366,000 (2015: HK$6,152,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

28. RELATED PARTY AND CONNECTED TRANSACTIONS

During the current year, the Group entered into the following transactions with related and connected parties:

Name	**Nature of transactions**	**2016** *HK$'000*	2015 *HK$'000*
Glory Mark Electronic Limited (incorporated in Taiwan) ("**GM (Taiwan)**") *(note 1)*	Rental paid by the Group	**143**	146
Billion Mass Limited ("**Billion Mass**") *(note 1)*	Rental paid by the Group	**1,032**	1,032
San Chen Company ("**San Chen**") *(note 2)*	Rental paid by the Group	**143**	146
Ms. Yu Lan *(note 2)*	Rental paid by the Group	**115**	117

Note 1: Mr. Pang Kuo-Shi, Mr. Wong Chun, directors and/or shareholders of the Company, together hold 79% controlling interest in GM (Taiwan) and 100% controlling interest in Billion Mass.

Note 2: San Chen is 42.75% owned by Mr. Pang Kuo-Shi and Ms. Yu Lan is the spouse of Mr. Pang Kuo-Shi.

All the above related parties are also connected persons as defined under Chapter 20 of the GEM Listing Rules that constitutes connected transactions.

Details of the key management remuneration are set out in note 9.

29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2016	2015	**2016**	2015	
Asia-Link Technology Limited	Incorporated	British Virgin Islands/Taiwan	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products in the USA, investment holding
東莞輝煌電子有限公司 Dongguan Glory Mark Electronic Co., Ltd.	Wholly foreign-owned enterprise	PRC	HK$15,100,000 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products
Glory Mark Electronic Limited (Note a)	Incorporated	British Virgin Islands/Taiwan	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products in South East Asia
Glory Mark Electronic Limited	Incorporated	Samoa/Taiwan	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark International (Holdings) Limited ("**Glory Mark International**")	Incorporated	British Virgin Islands/Hong Kong	US$400 Ordinary shares	**100%**	100%	**–**	–	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd.	Wholly foreign-owned enterprise	PRC	HK$35,360,200 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$2,680,000 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products

Note:

(a) The subsidiary had established a branch, namely Glory Mark Electronic Limited - Taiwan Branch (the "**GME Branch**") in Taiwan. The GME Branch is engaged in trading of connectivity products mainly for computers and peripheral products.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

30. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2016 and 2015 are as follows:

	2016 HK$'000	2015 HK$'000
NON CURRENT ASSETS		
Unlisted investment in a subsidiary	34,045	34,045
Amount due from a subsidiary	–	65,786
	34,045	99,831
CURRENT ASSETS		
Other receivables	267	306
Bank balances and cash	2,931	769
	3,198	1,075
CURRENT LIABILITY		
Other payables	3,472	421
Amount due to a subsidiary	832	–
	4,304	421
NET CURRENT (LIABILITIES) ASSETS	(1,106)	654
TOTAL ASSETS LESS CURRENT LIABILITIES/NET ASSETS	32,939	100,485
CAPITAL AND RESERVE		
Share capital	6,400	64,000
Reserves	26,539	36,485
TOTAL EQUITY	32,939	100,485

30. FINANCIAL INFORMATION OF THE COMPANY *(continued)*

Movement in reserve during the current and prior years are as follows:

	Contributed Surplus HK$'000	Retained Profit HK$'000	Total HK$'000
At January 2015	–	40,011	40,011
Loss for the year	–	(1,606)	(1,606)
Dividend	–	(1,920)	(1,920)
At 31 December 2015	–	38,485	38,485
Capital reorganization	57,600	–	57,600
Loss for the year	–	(1,626)	(1,626)
Dividend	(57,600)	(8,320)	(65,920)
At 31 December 2016	–	26,539	26,539

31. EVENTS AFTER THE REPORTING PERIOD

After the end of reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 12.

FINANCIAL SUMMARY

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	291,376	280,308	301,914	296,497	**324,670**
Profit (loss) for the year	5,267	3,555	1,228	(17,463)	**2,480**
Profit (loss) for the year attributable to:					
Owners of the Company	4,901	3,460	1,395	(17,688)	**2,953**
Non-controlling interests	366	95	(167)	225	**(473)**
	5,267	3,555	1,228	(17,463)	**2,480**

	At 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	337,125	294,260	288,498	264,053	**227,736**
Total liabilities	(163,206)	(117,126)	(113,505)	(110,676)	**(138,490)**
Shareholders' funds	173,919	177,134	174,993	153,377	**89,246**
Shareholder's funds attributable to:					
Owners of the Company	172,896	176,016	174,042	152,201	**88,543**
Non-controlling interests	1,023	1,118	951	1,176	**703**
	173,919	177,134	174,993	153,377	**89,246**