GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

ANNUAL REPORT 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.*

CONTENTS

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

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

Conyers Corporate Services (Bermuda) 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
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

STOCK CODE

8159

CHAIRMAN'S STATEMENT

Dear Valuable Shareholders,

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Glory Mark Hi-Tech (Holdings) Limited (the "**Company**" together with its subsidiaries (the "**Group**"), I am pleased to present the annual report (the "**Annual Report**") of the Group for the year ended 31 December 2017 (the "**Year**") which we mark another profit year.

We have delivered this while making substantial improvements by launching higher value-added products, exploiting new valuable customers and more importantly, diversifying into new masterplanning and architectural design business.

Connectivity Products Business

The original connectivity products business remains the major business of the Group and contributed 97.2% of total revenue in 2017. During the Year, this business generated gross profit of HK$49.0 million, improved by 5.6% as compared to 2016. This improvement was credited by the launching of higher value-added products, exploitation of new valuable customers and the continuing efforts of the Group on cost controls.

The connectivity products business faced challenges at the end of 2017. The rise of Renminbi dragged down the profitability of the Group in the fourth quarter of the reporting year. We believed that these cost impacts will continue to challenge the Group in early 2018.

New Masterplanning and Architectural Design Business

To seek new business opportunities and profit growth, the Group engaged in masterplanning and architectural design business (the "**Business**") in 2017. This new business contributed gross profit of HK$4.5 million to the Group for the Year.

To boost the cost efficiency of the Business in its developing phrase, the Group entered into a conditional business cooperation agreement (the "**Agreement**") with PT Consultants Design Consultants Limited (澳大利亞柏濤設計諮詢有限公司) ("**PT Consultants**") and PT Technology and Science Holding Limited (柏濤建築科技控股有限公司) ("**PT Technology**") The Agreement and the transactions contemplated thereunder (including the annual caps) were approved by the independent shareholders of the Company in the special general meeting ("**SGM**") held on 28 February 2018. Following the approval of the Agreement, we anticipated that the development of the Business will be speeded up and give us a further momentum for growth.

LOOKING AHEAD

We expect that the profits of the Group will be inevitably affected as a result of the rising renminbi in early 2018. Despite of this, we believe that through the efforts of our capable staff and the development of the Business, we are bursting with confidence in the prospect of the Group.

FINAL DIVIDEND

The Directors proposed a final dividend of HK1.5 cents (2016: HK0.3 cents) per share, which is subject to the approval by the shareholders of the Company (the "**Shareholders**") in annual general meeting for the year ended 31 December 2017 (the "**AGM**"). The final dividend will be payable on 8 June 2018, Friday to the Shareholders whose names appear on the register on members of the Company on 17 May 2018, Thursday.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 4 May 2018, Friday to 9 May 2018, Wednesday (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 of the Company ("**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 3 May 2018, Thursday.

CLOSURE OF REGISTER FOR FINAL DIVIDEND

The register of members of the Company will be closed from 15 May 2018, Tuesday to 17 May 2018, Thursday (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 14 May 2018, Monday.

Wang Li Feng
Chairman
Hong Kong, 23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaging 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.

During the year 2017, as the Group launched some higher value-added products and solicited several new valuable OEM customers and retail distributors, adding being proactive and continually focusing on cost control methods, the Group succeeded in improving its revenue and profit margins. However, since late 2017, the Group has been suffering from the remarkable rise of renminbi and labour costs, which dragged down the profitability of the Group. It was expected that these adverse economic factors would continue in early 2018.

To diversify the Group's business and seek new profit growth, during the Year, the Group engaged in the Business which involves masterplanning work, general design work and architectural schematic design work. The Group has recognised revenue generated from the Business since late 2017.

In respect of the Business, the Group entered into the Agreement with PT Consultants, a company wholly-owned by Mr. Wang Li Feng ("**Mr. Wang**") who is the chairman of the board of directors of the Company and an executive Director, and PT Technology for the solicitation of the Business from independent developers as well as for the subcontracting arrangement between the Group and PT Consultants which constitute continuing connected transactions of the Company. PT Consultants is an associate of Mr. Wang and thus a connected person of the Company. The Agreement and the transactions contemplated thereunder (including the annual caps for the subcontracting arrangement) were approved by the independent shareholders of the Company in the SGM held on 28 February 2018.

Given the Company has undertaken certain number of projects under the Business with revenue recognised during the year 2017 and the Group's participation in the Business will be on a continuous basis, the Business has become an existing principal activity of the Group.

The Directors believe that following the approval of the Agreement in the SGM, the Group will expand its masterplanning and architectural design business, which is expected to increase its shareholders' value and benefit to the Company and its shareholders as a whole.

Given the market condition in the connectivity products industry and the fair performance of the new business segment, the Directors hold a conservative view as to the results of the Group in early 2018 but keep an optimistic view thereafter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and profit

The Group recorded revenue of HK$377.1 million in 2017 (2016: HK$324.7 million), representing a growth of approximately 16.2% of which 3.2% was contributed by the new masterplanning and architectural design business.

The profit attributable to shareholders during the year was HK$17.0 million (2016: HK$3.0 million). The profit improvement was credited to the following reasons:

- Introduction of new masterplanning and architectural design business
- Launch of some higher value-added products
- Solicited several new valuable OEM customers and retail distributors
- Proactive and continually focusing on tight cost controls

Gross Profit

The Group recorded a gross profit of HK$53.5 million in 2017 (2016: HK$46.4 million), representing a growth of 15.3% of which 9.7% was contributed by the new masterplanning and architectural design business.

Other Income

The other income for the year was HK4.3 million (2016: HK$3.9 million). The increase in other income was mainly attributable to the exchange gain.

Selling and Distribution Expenses

The selling and distribution expenses was HK$12.0 million in 2017 (2016: HK$11.3 million). The increase of the expenses is in pace with the growth in revenue.

Administrative Expenses

The administrative expenses was HK$29.0 million in 2017 (2016: HK$34.2 million), representing a decrease of approximately HK$5.2 million, which was mainly due to the Group spent approximately HK$4 million in legal and professional expenses incurred in take-over issue in 2016.

Income tax expenses

The Group incurred HK$2.9 million in income tax expenses in 2017 (2016: HK$2.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 December 2017, the Group's net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK$22.7 million, HK$61.6 million and 105.9 million (2016: HK$13.6 million, HK$43.0 million and HK$88.5 million) respectively. The current ratio for the year, expressed as current assets over current liabilities, was approximately 1.14 (2016: 1.10). The Group had no interest bearing debt as at 31 December 2017 (31 December 2016: nil).

OUTLOOK

Masterplanning and architectural design business

The Group will continue to focus on developing the new masterplanning and architectural design business in 2018 and believes that this new business segment would make certain contribution to the Group's revenue in 2018 given there is no indication that the architectural industry is in a descending trend.

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 35 engineers/technicians in the research and development department as at 31 December 2017.

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. The Group will continue to devote its effort to develop the new masterplanning and architectural design business.

Employees

As at 31 December 2017, the Group had 1,206 (2016: 1,065) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2017 was approximately HK$ 75.5 million (2016: HK77.4 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 NTD, USD, HK$ and RMB which represented approximately 2.6%, 42.3%, 13.5% and 41.6% respectively for the year ended 31 December 2017 (2016: 3.2%, 46.3%, 15.4% and 35.1% respectively). The Directors will continue to monitor the related foreign currency exposure and are prepared to take appropriate hedging action as and when necessary.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2017 and 2016.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group had no significant capital commitments contracted but not provided for in the consolidated financial statements and also did not have any significant contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Li Feng, aged 53, 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 Executive Director of Peddle Thorp Consultants (Shenzhen) Co. Ltd (柏濤諮詢（深圳）有限公司) from January 2003 until the present 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 75, 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. Zhao Guo Xing, aged 52, 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 49, 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 61, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Chun (黃震), aged 58, 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 Vice-President and Chairman of Belt of Road/Greater Bay Area Trade and Economic standing 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, member of the Hubei Province and 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, member of the Enterprise Support Scheme Assessment Panel of Hong Kong Innovation and Technology Commission, member of the Electronics and Telecommunications Training Board of VTC. 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. Since 2015, he served as the member for the Innovation and Technology Support Programme Assessment Panel of Innovation and Technology Commission for 2 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.

Independent non-executive Directors

Mr. Liu Ping Chun, aged 62, 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 59, 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) and Singamas Container Holdings Limited. Both of these two companies are listed on the main board of the Exchange.

Dr. Hon. Lo Wai Kwok SBS, MH, JP, aged 65, 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: 822). 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhu Wenhui, aged 48, 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 Exchange (Stock Code: 668.HK); and Chalkis Health Industry Co., Ltd. (Stock Code: 000972.SZ) and Tian Guang Zhong Mao Co., Ltd. (Stock Code: 002509.SZ), which are listed companies in Shenzhen.

Senior Management

Ms. Chan Man Yi (**陳敏儀**), aged 53, 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. Ms. Chan joined the Group in December 2012.

Mr. Chui Wing Kit (**徐永傑**), aged 60, 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 56, 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 59, 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.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 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" on page 6 of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Year, 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 11.8% and 30.6%, respectively, of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 36.8% and 75.4%, 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 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The directors have resolved to recommend the payment of a final dividend of HK1.5 cents per share to the shareholders on the register of members on 17 May 2018, amounting to HK$9,600,000 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 84 of the annual report.

FIXED ASSETS

The Group's investment properties were revalued at 31 December 2017. There is an increase in fair value of investment properties of HK$2,470,000.

The Group expended HK$5,117,000 on new machinery 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 12 and 14 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2017 amounted to HK$19,327,000.

DIRECTORS' REPORT

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)
Mr. Wong Chun (Deputy Chairman and Chief Executive Officer)
Mr. He Yongyi (Chief Operation Officer)
Mr. Pang Kuo-Shi
Mr. Kong Lixing
Mr. Dong Jiangiang (resigned with effect from 19 March 2018)
Mr. Zhao Guo Xing

Independent non-executive directors:

Mr. Lau Ho Kit, Ivan
Mr. Liu Ping Chun
Dr. Hon Lo Wai Kwok S.B.S. MH, JP
Dr. Zhu Wenhui

In accordance with Article 84(1) of the Bye-laws of the Company, 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 of the Company, 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. Pang Kuo-Shi, Mr. Kong Lixing, Mr. Zhao Guo Xing and Dr. Hon Lo Wai Kwok S.B.S. MH, JP shall retire office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves 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 Bye-laws.

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 2017, 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 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 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
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%

Note 1: The 355,620,000 shares are held by PT Design Group Holdings Limited (the "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 2017.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

During the Year, no share options were granted or exercised. As at 31 December 2017, no share options were outstanding.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 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.

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 2017.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 2017.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the Year, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this annual report pursuant to the GEM Listing Rules.

Related party transactions of the Group are disclosed in Note 31 to the consolidated financial statements. They did not constitute connected transactions or continuing connected transactions of the Company, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

On 4 July 2017, the Group entered into the Agreement with PT Consultants and PT Technology (as amended and supplemented on 28 August 2017 for the solicitation of the Business as well as for the subcontracting arrangement between the Group and PT Consultants which constitute continuing connected transactions of the Company. PT Consultants is an associate of Mr. Wang and thus a connected person of the Company. The Agreement and the transactions contemplated thereunder (including the annual caps for the subcontracting arrangement) were approved by the independent shareholders of the Company in the SGM. For details, please refer to the Company's circular dated 6 February 2018.

Under the Agreement, unless otherwise requested by independent developer, the Business will be first undertaken by the Group as general design contractor. The Group will be responsible for masterplanning and general design work while all architectural schematic design work will be subcontracted to PT Consultants (or its subsidiary or associate).

In the event that the Business is to be undertaken by PT Consultants or PT Technology as the general design contractor at the request of the independent developer, unless otherwise requested by independent developer, all masterplanning work shall be first subcontracted to the Group.

Given the Company has undertaken certain number of projects under the Business with revenue recognised during the Year and the Group's participation in the Business will be on a continuous basis, the Business has become an existing principal activity of the Group.

Set out below are the annual caps in respect of the subcontracting arrangement between the Group and PT Consultants:

Architectural Schematic Design Work

The architectural schematic design work to be subcontracted by PT Design International to PT Consultants, in term of aggregate contract sum, shall not exceed HK$75.00 million, HK$75.00 million and HK$37.50 million for the years ending 31 December 2018 and 31 December 2019 and the six months ending 30 June 2020 respectively.

Masterplanning Work

The masterplanning work to be subcontracted by PT Consultants to PT Design International, in term of aggregate contract sum, shall not exceed HK$25.0 million, HK$25.0 million and HK$12.5 million for the years ending 31 December 2018 and 31 December 2019 and the six months ending 30 June 2020 respectively.

The independent non-executive Directors, namely Liu Ping Chun, Lau Ho Kit, Ivan, Dr. Hon Lo Wai Kwok S.B.S, MH, JP and Dr. Zhu Wenhui have reviewed the Agreement and confirmed that:

(1) the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole; and

(2) the transactions contemplated under the Agreement are conducted in the ordinary and usual course of business of the Company.

As confirmed by the Directors, no subcontracting arrangement under the Agreement was entered into between the Group and PT Consultants during the Year and after the SGM.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in Note 31 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements (if any) under Chapter 20 of the GEM Listing Rules.

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.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

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

Save for the continuing connected transaction disclosed above, 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 HK$67,000.

SUFFICIENCY PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company has, up to the date of this Annual Report, maintained the public float required by the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate liability insurance coverage for the Directors and senior management for the Year in respect of legal actions against its Directors and senior management arising out of corporate activities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the Year.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Wang Li Feng
CHAIRMAN
23 March 2018

CORPORATE GOVERNANCE REPORT

The Company complied throughout the year 2017 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 reelection. 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.

RESIGNATION OF DIRECTOR AFTER THE DATE OF THIS REPORT

Mr. Dong Jianqiang ("**Mr. Dong**") has resigned as an executive Director with effect from 19 March 2018 so as to focusing his other business. The Board is not aware of any matters relating to the resignation of Mr. Dong that need to be brought to the attention of the shareholders of the Company. He has no disagreement with the Board and that there are no other matters that need to be brought to the attention of the shareholders of the Company in connection with his resignation.

BOARD COMPOSITION

On the date of this report, the Board comprises a total of ten directors, with six executive directors, namely, Mr. Wang Li Feng (Chairman ("**Mr. Wang**")), Mr. Wong Chun (Deputy Chairman and Chief Executive Officer ("**Mr. Wong**")), Mr. He Yongyi (Chief Operation Officer ("**Mr. He**")), Mr. Pang Kuo Shi ("**Mr. Pang**"), Mr. Kong Lixing ("**Mr. Kong**"), and Mr. Zhao Guo Xing ("**Mr. Zhao**") and four independent non-executive directors, namely Mr. Liu Ping Chun ("**Mr. Liu**"), Mr. Lau Ho Kit, Ivan ("**Mr. Lau**"), Dr. Hon. Lo Wai Kwok, SBS, MH, JP ("**Dr. Lo**") and Dr. Zhu Wenhui ("**Dr. Zhu**").Mr. Lau has appropriate professional qualifications, accounting and Financial management expertise.

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.

CORPORATE GOVERNANCE REPORT

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2017, the Board held five meetings.

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

	Attendance
Executive Directors	
Mr. Wang (Chairman)	4/4
Mr. Wong (Deputy Chairman and Chief Executive Officer)	4/4
Mr. He (Chief Operation Officer)	4/4
Mr. Pang	4/4
Mr. Kong	3/4
Mr. Zhao	4/4
Mr. Dong (Resigned with effect from 19 March 2018)	3/4
Independent Non-Executive Directors	
Mr. Liu	3/4
Mr. Lau	4/4
Dr. Lo	4/4
Dr. Zhu	4/4

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 and Mr. Wong (executive director).

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

The attendance record of each member of the Remuneration Committee during the year is set out below:

	Attendance
Members of Remuneration Committee	
Mr. Liu (Chairman)	3/4
Mr. Lau	4/4
Dr. Lo	4/4
Dr. Zhu	4/4
Mr. Wong	4/4

CORPORATE GOVERNANCE REPORT

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 the Year.

The Remuneration Committee is governed by its terms of reference.

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 amounted to HK$1,000,000 and HK$50,000 respectively. Non-audit services provided by Deloitte Touche Tomatsu included the review of the Group's tax compliance.

AUDIT COMMITTEE

As at the date of the Annual Report, the audit committee comprises four members –Mr. Lau (Chairman), Mr. Liu, Dr. Lo and Dr. Zhu, who are independent non-executive directors.

During the Year, the audit committee held four meetings and performed the following duties:

(1) reviewed and commented on the Company's draft annual, interim and quarterly financial announcements;

(2) reviewed and commented on the Group's internal controls; and

(3) met with the external auditors and participated in the reappointment and assessment of the performance of the external auditors.

(4) The annual results presented herein have been reviewed by the Audit Committee.

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

	Attendance
Members of Audit Committee	
Mr. Lau (Chairman)	4/4
Mr. Liu	3/4
Dr. Lo	4/4
Dr. Zhu	4/4

NOMINATION OF DIRECTORS

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 Nomination Committee did not hold any meeting during the Year as there was no nomination of director was required during the year.

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 other training materials and/or attending seminars
Executive Directors	
Mr. Wang (Chairman)	✓
Mr. Wong (Deputy Chairman and Chief Executive Officer)	✓
Mr. He (Chief Operation Officer)	✓
Mr. Pang	✓
Mr. Kong	✓
Mr. Zhao	✓
Mr. Dong (Resigned with effect from 19 March 2018)	✓
Independent Non-Executive Directors	
Mr. Liu	✓
Mr. Lau	✓
Dr. Lo	✓
Dr. Zhu	✓

SHAREHOLDERS' RIGHTS

According to the Bye-Laws of the Company, 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 31 to 83, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 matter	How our audit addressed the key audit matter
Valuation of trade receivables from sale of connectivity products	
We identified the valuation on trade receivables from sale of connectivity products 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 2017, the carrying amount of trade receivables from sale of connectivity products is HK$73,052,000 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 matter **Revenue recognition on sale of connectivity products**	How our audit addressed the key audit matter
We identified revenue recognition on sale of connectivity products as a key audit matter due to revenue is significance to the consolidated financial statements as a whole. For the year ended 31 December 2017, the amount of revenue from sale of connectivity products is HK$366,680,000 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 out 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 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; and • Understanding the correlation between revenue and transportation costs and identify any material fluctuations 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 issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

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
23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**377,118**	324,670
Cost of sales and services rendered		**(323,588)**	(278,231)
Gross profit		**53,530**	46,439
Other income		**4,348**	3,901
Other gains and losses		**11**	12
Change in fair value of investment properties	14	**2,470**	280
Share of profit of a joint venture		**384**	–
Selling and distribution expenses		**(12,019)**	(11,334)
Administrative expenses		**(29,042)**	(34,203)
Profit before taxation		**19,682**	5,095
Income tax expense	8	**(2,919)**	(2,615)
Profit for the year	9	**16,763**	2,480
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**2,249**	(691)
Total comprehensive income for the year		**19,012**	1,789
Profit (loss) for the year attributable to:			
Owners of the Company		**17,004**	2,953
Non-controlling interests		**(241)**	(473)
		16,763	2,480
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**19,253**	2,262
Non-controlling interests		**(241)**	(473)
		19,012	1,789
Earnings per share	11		
Basic		**HK2.66 cents**	HK0.46 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**58,465**	54,665
Prepaid lease payments	13	**8,130**	7,749
Investment properties	14	**13,960**	11,490
Interest in a joint venture	15	**389**	–
Club debenture	16	**1,160**	1,160
Deposits paid	17	**1,526**	590
		83,630	75,654
CURRENT ASSETS			
Inventories	18	**36,015**	27,364
Trade and other receivables	19	**82,256**	81,472
Amounts due from customers for contract work	20	**973**	–
Prepaid lease payments	13	**232**	215
Bank balances and cash	21	**61,608**	43,031
		181,084	152,082
CURRENT LIABILITIES			
Trade and other payables	22	**118,574**	106,820
Amounts due to customers for contract work	20	**2,936**	–
Amounts due to directors	23	**1,473**	1,463
Taxation payable		**35,393**	30,207
		158,376	138,490
NET CURRENT ASSETS		**22,708**	13,592
NET ASSETS		**106,338**	89,246
CAPITAL AND RESERVES			
Share capital	24	**6,400**	6,400
Reserves		**99,476**	82,143
Equity attributable to owners of the Company		**105,876**	88,543
Non-controlling interests		**462**	703
TOTAL EQUITY		**106,338**	89,246

The consolidated financial statements on pages 31 to 83 were approved and authorised for issue by the Board of Directors on 23 March 2018 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 2017

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
	Share capital	Merger reserve	Translation reserve	Contribution surplus	Retained profits	Sub-total	Non-Controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	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 reorganization (note 24)	(57,600)	–	–	57,600	–	–	–	–
Dividends (Note 10)	–	–	–	(57,600)	(8,320)	(65,920)	–	(65,920)
At 31 December 2016	**64,000**	**680**	**9,194**	**–**	**72,269**	**88,543**	**703**	**89,246**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**17,004**	**17,004**	**(241)**	**16,763**
Other comprehensive income	**–**	**–**	**2,249**	**–**	**–**	**2,249**	**–**	**2,249**
Total comprehensive income (expense) for the year	**–**	**–**	**2,249**	**–**	**17,004**	**19,253**	**(241)**	**19,012**
Dividends (Note 10)	**–**	**–**	**–**	**–**	**(1,920)**	**(1,920)**	**–**	**(1,920)**
At 31 December 2017	**6,400**	**680**	**11,443**	**–**	**87,353**	**105,876**	**462**	**106,338**

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 2017

	2017 *HK$'000*	2016 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**19,682**	5,095
Adjustments for:		
Interest income	**(121)**	(158)
Depreciation of property, plant and equipment	**6,715**	6,608
Amortisation of prepaid lease payments	**224**	225
Allowance for inventories	**211**	682
Change in fair value of investment properties	**(2,470)**	(280)
Share of profit of a joint venture	**(384)**	–
Gain on disposal of property, plant and equipment	**(11)**	(12)
Operating cash flows before movements in working capital	**23,846**	12,160
Increase in inventories	**(7,347)**	(10,885)
Increase in trade and other receivables	**(801)**	(8,770)
Increase in trade and other payables	**8,965**	28,075
Increase in amounts due to directors	**10**	133
Increase in amounts due from customers for contract work	**(973)**	–
Increase in amounts due to customers for contract work	**2,936**	–
Cash generated from operations	**26,636**	20,713
Income taxes paid	**(179)**	(569)
NET CASH FROM OPERATING ACTIVITIES	**26,457**	20,144
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**23**	12
Interest received	**121**	158
Purchase of property, plant and equipment	**(6,652)**	(3,668)
Increase in deposits paid for acquisition of property, plant and equipment	**(890)**	–
Deposit paid for club debenture	**–**	(600)
Investment in a joint venture	**(5)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(7,403)**	(4,098)
NET CASH USED IN A FINANCING ACTIVITY		
Dividends paid	**(1,920)**	(65,920)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**17,134**	(49,874)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**43,031**	91,749
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,443**	1,156
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**61,608**	43,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the 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 2017.

The Company acts as an investment holding company.

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

During the year ended 31 December 2017, the Group started to engage in a new business of masterplanning and architectural design through the establishment of 2 subsidiaries and a joint venture, all established in the People's Republic of China (the "**PRC**").

2. APPLICATION OF NEW AND REVISED 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 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 on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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 requirement of HKFRS 9 which is relevant to the Group is:

- 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Loan receivables carried at amortised cost as disclosed in note 30: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKIFS 9; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits and increase the deferred tax assets at 1 January 2018.

HKFRS 15 *Revenue from Contracts with Customers*

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

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 result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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. Upon application of 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 by the Group.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases* *(Continued)*

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$3,015,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$230,000 and refundable rental deposits received of HK$195,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company do not expect the application of the other new and revised 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 year.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of 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.

(i) Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

(ii) Where the outcome of a contract of comprehensive architectural services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

    Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

(iii) 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 appointment 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.

(iv) The Group's accounting policy for recognition of rental income from operating lease is described in the accounting policy for leasing of the annual report for the year ended 31 December 2017.

Contracts of comprehensive architectural services

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt-in-advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 leasehold 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 property is accounted as an operating lease. Specifically, the entire considerations (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 of the equity-settled share-based payments determined at the grant date without taking into consideration on all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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.

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 or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Club debenture

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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, amounts due from customers for contract work 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to customers for contract work 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 have expired. 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.

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 2017, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$13,960,000 (2016: HK$11,490,000). 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. 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.

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

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 on sale of connectivity products

Estimated allowance for doubtful debts are provided and assessed based on the directors' estimation of the recoverability of overdue trade debtors on sale of connectivity products. 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 an 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 2017, the carrying amount of trade receivables on sale of connectivity products was HK$73,052,000 (2016: HK$75,133,000).

5. REVENUE

	2017 ***HK$'000***	2016 *HK$'000*
Sales of connectivity products mainly for computers and peripheral products	**366,680**	324,670
Income from contract of comprehensive architectural services	**10,438**	–
	377,118	324,670

6. 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. During the year 2017, the Group started to engage in a new business of masterplanning and architectural design. The Group's reportable and operating segments under HKFRS 8 are as follows:

	2017				2016		
	OEM Customers	**Retail distributors**	**Provision of comprehensive architectural services**	**Total**	OEM Customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE							
– External sales	**263,039**	**103,641**	**10,438**	**377,118**	246,072	78,598	324,670
SEGMENT PROFIT	**35,720**	**13,297**	**4,513**	**53,530**	38,640	7,799	46,439
Unallocated expenses				**(40,677)**			(45,537)
Other income				**4,348**			3,901
Other gains and losses				**11**			12
Change in fair value of investment properties				**2,470**			280
Profit before taxation				**19,682**			5,095

6. SEGMENT INFORMATION *(Continued)*

	2017					2016		
	OEM Customers	Retail distributors	Sub-total	Provision of comprehensive architectural services	Total	OEM Customers	Retail distributors	Total
ASSETS	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT ASSETS								
Trade receivables (Note)	**55,520**	**17,532**	**73,052**	**378**	**73,430**	59,889	15,244	75,133
Property, plant and equipment, prepaid lease payments and inventories (Note)			**102,474**	**660**	**103,134**			89,993
Total segment assets			**175,526**	**1,038**	**176,564**			165,126
Other unallocated assets			**80,526**	**7,624**	**88,150**			62,610
Total assets			**256,052**	**8,662**	**264,714**			227,736

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 OEM customers and retail 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 inventories are not separately allocated to the individual segments. In contrast, the Group's executive directors regularly review trade receivables by operating segment.

6. SEGMENT INFORMATION *(Continued)*

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.

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
Korea	**159,553**	157,827
Taiwan	**50,231**	64,587
Japan	**74,623**	63,978
United States of America	**59,575**	24,272
PRC	**14,153**	2,615
Others	**18,983**	11,391
	377,118	324,670

	Non-current assets (excluding club debenture)	
	2017	2016
	HK$'000	*HK$'000*
PRC	**67,237**	62,022
Hong Kong	**14,072**	11,568
Others	**1,161**	904
	82,470	74,494

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**138,610**	131,777
Customer B[1]	**42,834**	44,312
Customer C[2]	**64,006**	54,202

1 Revenue from OEM customers

2 Revenue from Retail distributors

7. 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 Jiangiang[2]	Mr. Zhao Guo Xing[1]	Mr. He Yongyi[1]	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017								
Fees	–	–	–	–	–	–	–	–
Other emoluments:								
Salaries and other benefits	–	**2,268**	**2,317**	–	–	–	–	**4,585**
Retirement benefit scheme contributions	–	**18**	**15**	–	–	–	–	**33**
	–	**2,286**	**2,332**	–	–	–	–	**4,618**

1 appointed with effect from 15 September 2016

2 appointed with effect from 15 September 2016 and resigned with effect from 19 March 2018

	Mr. Wang Li Feng[1]	Mr. Wong Chun	Mr. Pang Kuo-Shi	Mr. Kong Lixing[1]	Mr. Dong Jiangiang[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 contributions	–	17	–	–	–	–	–	14	31
	–	2,155	2,171	–	–	–	–	1,246	5,572

1 appointed with effect from 15 September 2016

2 resigned with effect from 29 November 2016

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.

7. 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 S.B.S. MH., JP[2]	Dr. Zhu Wenhui[2]	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Fees	**120**	**120**	**120**	**120**	**480**
Other emoluments:					
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**	**–**	**–**
	120	**120**	**120**	**120**	**480**

1 appointed on 15 September 2016

2 appointed on 29 November 2016

	Mr. Liu Ping Chun[1]	Mr. Lau Ho Kit, Ivan	Dr. Hon Lo Wai Kwok S.B.S. MH., JP[2]	Dr. Zhu Wenhui[2]	Dr. Lui Ming Wah, S.B.S., 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

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

Independent non-executive directors *(Continued)*

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.

Employees

Of the five highest paid individuals of the Group, two (2016: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining three (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follow:

	2017 ***HK$'000***	2016 *HK$'000*
Salaries and other benefits	**3,177**	1,334
Retirement benefit scheme contributions	**51**	37
	3,228	1,371

The number of the highest paid employees who are not the director of the Company whose remuneration fell within the following bands is as follow:

	2017 ***No. of employee***	2016 *No. of employee*
Nil to HK$1,000,000	**2**	2
HK$1,500,000 to HK$2,000,000	**1**	–
	3	2

8. INCOME TAX EXPENSE

The amount represents current tax expense on assessable profits arising in the PRC and is calculated at the rates prevailing in the PRC. 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, except for those subsidiaries described below.

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 tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**19,682**	5,095
Tax at the domestic income tax rate of 25%	**4,921**	1,274
Tax effect of share of result of joint venture	**(96)**	–
Tax effect of income not taxable for tax purpose	**(1,390)**	(1,326)
Tax effect of expenses not deductible for tax purpose	**2,895**	3,497
Utilisation of tax losses	**(1,704)**	(852)
Income tax at concessionary rate	**(392)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,315)**	22
Tax expense for the year	**2,919**	2,615

At 31 December 2017, the Group has unused tax losses of HK$13,155,000 (2016: HK$19,971,000) 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. There are no unused tax losses related to PRC subsidiaries as at 31 December 2017 (2016: HK$971,000 will be expired between 2017 and 2021).

Certain subsidiaries operating in the PRC fall within the Preferential Corporate Income Tax Catalogue in the specific zone. According to Cai Shui (2014) No.26, qualified companies in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone are granted for a reduced enterprise income tax rate of 15% during the period from 1 January 2014 to 31 December 2020.

The subsidiaries were accredited as "Cultural innovation Enterprise" by the authorities, and were registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in period from 2017 to 2020. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging and (crediting):		
Directors' remuneration	5,098	5,855
Other staff costs (excluding directors)		
Salaries and other benefits	75,518	77,376
Retirement benefit scheme contributions	7,127	7,366
Total staff costs	87,743	90,597
Auditor's remuneration	1,156	854
Depreciation	6,715	6,608
Allowance for inventories (included in cost of sales and services rendered)	211	682
Amortisation of prepaid lease payments	224	225
Cost of inventories recognised as expenses	317,662	278,231
Gain on disposal of property, plant and equipment (included in other gains and losses)	(11)	(12)
Net foreign exchange gain	(915)	(517)
Interest income on bank deposits (included in other income)	(121)	(158)
Rental income (included in other income)	(1,463)	(1,285)

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2016 Final – HK0.3 cents (2016: 2015 final dividend of HK1 cent) per share	**1,920**	6,400
2016 Special – HK9.3 cents per share	**–**	59,520
	1,920	65,920

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK1.5 cents (2016: final dividend in respect of the year ended 31 December 2016 of HK0.3 cent) per ordinary share, in an aggregate amount of HK$9,600,000 (2016: HK$1,920,000) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company	**17,004**	2,953

	'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.

12. 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 2016	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**
Exchange realignment	**3,854**	**654**	**230**	**309**	**5,089**	**403**	**10,539**
Additions	**–**	**813**	**62**	**660**	**5,117**	**–**	**6,652**
Disposals	**–**	**–**	**(1,143)**	**(839)**	**(104)**	**–**	**(2,086)**
At 31 December 2017	**57,246**	**30,599**	**4,364**	**2,966**	**91,434**	**4,339**	**190,948**
DEPRECIATION							
At 1 January 2016	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**
Exchange realignment	**1,015**	**612**	**222**	**105**	**4,574**	**136**	**6,664**
Provided for the year	**1,147**	**419**	**107**	**528**	**4,051**	**463**	**6,715**
Eliminated on disposals	**–**	**–**	**(1,143)**	**(839)**	**(92)**	**–**	**(2,074)**
At 31 December 2017	**15,302**	**29,268**	**4,081**	**1,323**	**78,933**	**3,576**	**132,483**
CARRYING VALUES							
At 31 December 2017	**41,944**	**1,331**	**283**	**1,643**	**12,501**	**763**	**58,465**
At 31 December 2016	40,252	895	320	1,307	10,932	959	54,665

12. 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%

13. PREPAID LEASE PAYMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Non-current asset	**8,130**	7,749
Current asset	**232**	215
	8,362	7,964

The Group's prepaid lease payments comprise leasehold interest in land situated in the PRC on medium term leases.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016	11,210
Increase in fair value recognised in profit or loss	280
At 31 December 2016	11,490
Increase in fair value recognised in profit or loss	2,470
At 31 December 2017	13,960

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 2017 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.

14. 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, ranging from HK$6,284 to HK$6,422 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 ranging from HK$9,352 to HK$10,798 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 2017 and 2016 are as follows:

	Level 3	**Fair value as at 31/12/2017**
	HK$'000	***HK$'000***
Commercial property units located in Hong Kong	**13,960**	**13,960**

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

There were no transfers into or out of Level 3 during the both years.

15. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture is as follows:

	2017 *HK$'000*
Cost of investment in a joint venture	**5**
Share of post-acquisition profit	**384**
	389

On 11 January 2017, PT Design International Limited ("**PT Design International**"), a wholly-owned subsidiary of the Company and an independent third party entered into an agreement for the establishment of PT & PL China Limited ("**PT & PL China**"), a Hong Kong incorporated company with issued share capital of HK$10,000. PT Design International subscribed for 5,100 ordinary shares in PT & PL China, representing 51% of the entire issued share capital. Upon the completion of the capital contribution, the Group holds 51% equity interest in PT & PL China. The Group has the right to appoint one out of two voting directors in the board of directors of PT & PL China in which the decisions about the relevant activities of PT & PL China require the unanimous consent of the directors from both PT Design International and the other shareholder. In this regard, the investment in PT & PL China is accounted for as joint venture of the Group.

Particulars of the joint venture of the Group at 31 December 2017 are set out as follow:

Name of entity	Place of incorporation	Principal place of business	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2017	Principal activity
PT & PL China	Hong Kong	Hong Kong	51%	50%	Provision of comprehensive architectural services

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using equity method in these consolidated financial statements.

	At 31 December 2017 *HK$'000*
Current assets	**8,069**
Non-current assets	**695**
Current liabilities	**(8,001)**

15. INTEREST IN A JOINT VENTURE *(Continued)*

The above amounts of assets and liabilities include the following:

	At 31 December 2017 **HK$'000**
Cash and cash equivalents	**4,928**

	Year ended 31 December 2017 **HK$'000**
Revenue	**19,066**
Profit and total comprehensive income for the year	**753**

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2017 **HK$'000**
Net assets of PT & PL China	**763**
Proportion of the Group's ownership interest in PT & PL China	**51%**
Carrying amount of the Group's interest in PT & PL China	**389**

16. 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.

17. DEPOSITS PAID

	2017 **HK$'000**	2016 *HK$'000*
Deposits paid for		
– land use rights	**636**	590
– property, plant and equipment	**890**	–
	1,526	590

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials and consumables	8,767	7,140
Work in progress	9,144	8,194
Finished goods	18,134	12,030
	36,015	27,364

During the current year, provision of allowance of HK$211,000 (2016: HK$682,000) has been recognised and included in cost of sales.

19. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables from sale of connectivity products	73,052	75,133
Progress billing receivable from provision of comprehensive architectural services	378	–
Other receivables, prepayment to suppliers and deposits	8,826	6,339
	82,256	81,472

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting year which approximated the respective revenue recognition dates:

	Provision of comprehensive architectural services		Sale of connectivity products	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
0 – 30 days	378	–	24,895	29,868
31 – 120 days	–	–	48,141	44,924
121 – 180 days	–	–	16	295
Over 180 days	–	–	–	46
	378	–	73,052	75,133

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

For the sale of connectivity products:

The Group allows an average credit period ranging from 30 to 180 days to its trade customers.

There are no trade receivable balance past due at the end of the reporting period (2016: HK$46,000).

For the provision of comprehensive architectural services:

The Group does not have a standardised and universal credit period granted to its customers. The credit period granted to individual customer is within 90 days in general, which the Group considered on a case-by-case basis, depending on the credibility and reputation of the customers and as stipulated in the project contract.

There are no progress billings receivable balance past due at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
Gross amount	**419**	–
Less: allowance for doubtful debts	**(41)**	–
	378	–

The movement in allowance for doubtful debts were as follows:

	2017	2016
	HK$'000	*HK$'000*
Provided during the year	**41**	–
At end of the year	**41**	–

Included in the allowance for doubtful debts are individually impaired receivables due from certain debtors with an aggregate amount of HK$41,000 as at 31 December 2017 (2016: nil) which management considered that it is unlikely to be settled by the debtor. The Group does not hold any collateral over these receivables

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR PROVISION OF DESIGN SERVICES

	2017 *HK$'000*	2016 *HK$'000*
Contracts in progress at the end of the reporting period:		
Costs incurred to date plus recognised profits less recognised losses	6,309	–
Less: progress billings	(8,272)	–
	(1,963)	–
Analysed for reporting purposes as:		
Amounts due from customers for contract work	973	–
Amounts due to customers for contract work	(2,936)	–
	(1,963)	–

21. BANK BALANCES AND CASH

Bank balances comprise short-term bank deposits with the original maturity of three months or less of HK$9,142,000 (2016: HK$1,220,000) at fixed interest rates ranging from 0.01% to 5.00% (2016: 0.01% to 5.00%) per annum and bank balances of HK$46,946,000 (2016: HK$40,240,000) at variable interest rates with effective interest rates ranging from 0.001% to 0.385% (2016: 0.001% to 0.385%) per annum and cash balances of HK5,520,000 (2016: HK$1,571,000).

22. 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:

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
Within 30 day	**17,838**	21,135
31 – 90 days	**38,566**	32,134
91 – 150 days	**15,395**	9,827
Over 150 days	**2,740**	3,435
	74,539	66,531
Other payables		
Receipt-in-advance	**6,466**	6,163
Staff salaries and welfare payable	**19,528**	18,710
Deposits received from customers	**2,516**	2,080
Value added tax payable and other tax payable	**1,921**	1,921
Accrued operating expenses	**7,550**	6,603
Others	**6,054**	4,812
	44,035	40,289
	118,574	106,820

23. AMOUNTS DUE TO DIRECTORS

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

24. SHARE CAPITAL

	Number of shares		Share capital	
	2017	2016	**2017**	2016
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At beginning of year	**10,000,000**	1,000,000	**100,000**	100,000
Capital reorganisation (note)	**–**	9,000,000	**–**	–
At end of year	**10,000,000**	10,000,000	**100,000**	100,000

	Number of shares		Share capital	
	2017	2016	**2017**	2016
	'000	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid:				
At beginning of year	**640,000**	640,000	**6,400**	64,000
Capital reorganisation (note)	**–**	–	**–**	(57,600)
At end of year	**640,000**	640,000	**6,400**	6,400

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 was 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 was 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 was 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 were credited to the contributed surplus account of the Company which were then applied by the Company for the purposes of setting off, if any in its accumulated loss, future distribution to the shareholders.

25. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**495**	203

26. OPERATING LEASES

The Group as lessee

During the current year, minimum lease payments made under operating leases in respect of rented premises was HK$1,828,000 (2016: HK$1,835,000). 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:

	2017 HK$'000	2016 HK$'000
Within one year	**1,806**	1,598
In the second to fifth year inclusive	**1,209**	1,189
	3,015	2,787

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$1,463,000 (2016: HK$1,285,000) before deduction of direct operating expenses of HK$7,000 (2016: HK$6,000).

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

	2017 HK$'000	2016 HK$'000
Within one year	**1,388**	1,235
In the second to fifth year inclusive	**70**	1,169
	1,458	2,404

27. 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.

28. 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 Taiwan, 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$7,127,000 (2016: HK$7,366,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

29. 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.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**136,244**	118,280
Financial liabilities at amortised cost	**83,790**	72,692

30. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from customers for contract work, bank balances and cash, trade and other payables, amounts due to customers for contract work 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.

(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.

	2017	2016
	HK$'000	*HK$'000*
Assets		
USD *(note 1)*	**1,212**	748
New Taiwan dollar ("NTD")	**1,710**	1,455
Renminbi ("RMB")	**5,581**	1,885
Liabilities		
NTD	**1,797**	1,737
RMB	**7,142**	6,022

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

30. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) ***Market risk*** *(Continued)*

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in USD against RMB and NTD. 5% (2016: 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% (2016: 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.

	Impact of RMB		**Impact of NTD**	
	2017 ***HK$'000***	2016 *HK$'000*	**2017** ***HK$'000***	2016 *HK$'000*
Impact on profit/loss for the year	**(78)**	(207)	**(18)**	(26)

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 21 for details) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see note 21 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 (2016: 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 (2016: 4) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would have increased/decreased by HK$8,400 (2016: post-tax profit would have increased/decreased by HK$5,800).

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.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Credit risk

As at 31 December 2017, 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, amounts due from customers for contract work 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 2017, the top five customers of the Group accounted for about 76.1% (2016: 70.7%) 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 of the Company 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.

30. FINANCIAL INSTRUMENTS *(Continued)*

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

(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.

	On demand or less than 30 days	31 – 90 days	91 – 365 days	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017					
Non-interest bearing					
Trade and other payables	**22,680**	**38,566**	**18,135**	**79,381**	**79,381**
Amounts due to customers for contract work	**2,936**	**–**	**–**	**2,936**	**2,936**
Amounts due to directors	**1,473**	**–**	**–**	**1,473**	**1,473**
	27,089	**38,566**	**18,135**	**83,790**	**83,790**
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

(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.

31. RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 23, during the current year, the Group entered into the following transactions with related and connected parties:

Name	Nature of transactions	2017 *HK$'000*	2016 *HK$'000*
Glory Mark Electronic Limited ("GMEL") *(note 1)*	Rental paid by the Group	**155**	143
Billion Mass Limited ("Billion Mass") *(note 1)*	Rental paid by the Group	**1,200**	1,032
San Chen Company ("San Chen") *(note 2)*	Rental paid by the Group	**155**	143
Ms. Yu Lan *(note 2)*	Rental paid by the Group	**124**	115
PT Architecture Design (Shenzhen) Company Limited ("PT Architecture") *(note 3)*	Revenue earned by the Group	**2,250**	–
PT Architecture *(note 3)*	Cost of services rendered paid by the Group	**634**	–

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

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

Note 3: Mr. Wang, a director and/or shareholder of the Company holds 100% controlling interest in PT Architecture.

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 7.

32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 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		
				2017	2016	2017	2016	
Asia-Link Technology Limited	Incorporated	British Virgin Islands/ Taiwan	USD50,000 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	USD50,000 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	USD50,000 Ordinary shares	–	–	100%	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands/ Hong Kong	USD400 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	USD2,680,000 Paid up registered capital	–	–	100%	100%	Manufacture of connectivity products mainly for computers and peripheral products
PT Design International (Holdings) Limited	Incorporated	British Virgin Islands	USD50,000 Ordinary shares	100%	–	–	–	Investment holding
PT Design (QH) Limited	Wholly foreign-owned enterprise	PRC	HK$2,000,000 Paid up registered capital	–	–	100%	–	Provision of comprehensive architectural service
PT Design International	Incorporated	HK	HK$1,000,000 Paid up registered capital	–	–	100%	–	Provision of comprehensive architectural service

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.

33. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
NON CURRENT ASSETS		
Unlisted investment in subsidiaries	**34,432**	34,045
CURRENT ASSETS		
Other receivables	**290**	267
Amount due from a subsidiary	**2**	–
Bank balances and cash	**1,097**	2,931
	1,389	3,198
CURRENT LIABILITIES		
Other payables	**3,525**	3,472
Amount due to subsidiaries	**6,569**	832
	10,094	4,304
NET CURRENT LIABILITIES	**(8,705)**	(1,106)
TOTAL ASSETS LESS CURRENT LIABILITIES/ NET ASSETS	**25,727**	32,939
CAPITAL AND RESERVE		
Share capital *(note 24)*	**6,400**	6,400
Reserve	**19,327**	26,539
TOTAL EQUITY	**25,727**	32,939

33. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Movement in the Company's reserve are as follows:

	Contributed Surplus	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At January 2016	–	36,485	36,485
Capital reorganisation (note 24)	57,600	–	57,600
Loss for the year	–	(1,626)	(1,626)
Dividend (note 10)	(57,600)	(8,320)	(65,920)
At 31 December 2016	–	26,539	26,539
Loss for the year	–	(5,292)	(5,292)
Dividend (note 10)	–	(1,920)	(1,920)
At 31 December 2017	–	19,327	19,327

34. EVENTS AFTER THE REPORTING PERIOD

On 4 July 2017, PT Design International, PT Consultants Design Consultants Limited ("PT Consultants") and PT Technology and Science Holding Limited ("PT Technology") entered into an agreement for the solicitation of the masterplanning and architectural design business (the "Business") (the "Business Cooperation Agreement") as amended and supplemented on 28 August 2017. Pursuant to which, all three parties agreed to cooperate with each other for the solicitation of the Business from independent developer for a term of three years from 15 July 2017 to 14 July 2020. Unless otherwise requested by the independent developer, the Business will be first undertaken by PT Design International (or its subsidiary) as general design contractor. PT Design International will be responsible for masterplanning and general design work while all architectural schematic design work will be subcontracted to PT Consultants (or its subsidiary or associate), and the technical and documentation work in respect of architectural design work will be undertaken by PT Technology (or its subsidiary or associate) directly engaged by the independent developer. In the event that the Business is to be undertaken by PT Consultants or PT Technology as the general design contractor at the request of the independent developer, unless otherwise requested by the independent developer, all masterplanning work shall be first subcontracted to PT Design International.

PT Consultants is wholly-owned by Mr. Wang, the chairman of the Board and an executive director of the Company, and PT Technology is owned as to 8.69% by Mr. Wang, 8.69% by Mr. Kong, 8.69% by Mr. Zhao and 73.93% by other independent third parties. Mr. Kong and Mr. Zhao are the executive directors of the Company.

The subcontracting transactions between PT Consultants and PT Design International contemplated under the Business Cooperation Agreement constitute continuing connected transactions of the Company and has been approved by shareholders in the Special General Meeting on 28 February 2018.

FINANCIAL SUMMARY

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	280,308	301,914	296,497	324,670	**377,118**
Profit (loss) for the year	3,555	1,228	(17,463)	2,480	**16,763**
Profit (loss) for the year attributable to:					
Owners of the Company	3,460	1,395	(17,688)	2,953	**17,004**
Non-controlling interests	95	(167)	225	(473)	**(241)**
	3,555	1,228	(17,463)	2,480	**16,763**

	At 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	294,260	288,498	264,053	227,736	**264,714**
Total liabilities	(117,126)	(113,505)	(110,676)	(138,490)	**(158,376)**
Shareholders' funds	177,134	174,993	153,377	89,246	**106,338**
Shareholder's funds attributable to:					
Owners of the Company	176,016	174,042	152,201	88,543	**105,876**
Non-controlling interests	1,118	951	1,176	703	**462**
	177,134	174,993	153,377	89,246	**106,338**