



GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

INTERIM REPORT 2018



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

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

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

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This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

INTERIM RESULTS

The board of directors (the “**Directors**” or “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months (the “**Second Quarter Period**”) and six months (the “**Half-Year Period**”) ended 30 June 2018 (the “**Interim Financial Statements**”) together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

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

For the three months and six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	88,071	92,284	171,621	179,737
Cost of sales		(74,869)	(77,926)	(149,200)	(152,990)
Gross profit		13,202	14,358	22,421	26,747
Other income		982	1,192	2,299	2,092
Selling and distribution expenses		(2,797)	(2,904)	(5,177)	(6,269)
Administrative expenses		(7,691)	(6,868)	(15,248)	(13,138)
Share of profit of a Joint Venture		1,941	–	2,134	–
Profit before taxation	5	5,637	5,778	6,429	9,432
Income tax expenses	6	(638)	(652)	(1,286)	(1,219)
Profit for the period		4,999	5,126	5,143	8,213
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operation		(951)	446	117	1,535
Total comprehensive income for the period		4,048	5,572	5,260	9,748
Profit for the period attributable to:					
– Equity holders of the Company		4,990	4,943	5,022	7,861
– Non-controlling interests		9	183	121	352
		4,999	5,126	5,143	8,213
Total comprehensive income attributable to:					
– Equity holders of the Company		4,039	5,389	5,139	9,396
– Non-controlling interests		9	183	121	352
		4,048	5,572	5,260	9,748
Earnings per share					
Basic	7	HK0.78 cents	HK0.77 cents	HK0.78 cents	HK1.23 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	56,058	58,465
Prepaid lease payments		7,906	8,130
Investment properties	9	13,960	13,960
Interest in a Joint Venture		2,524	389
Club debenture	10	1,160	1,160
Deposits paid		1,219	1,526
		82,827	83,630
CURRENT ASSETS			
Inventories		34,078	36,015
Trade and other receivables	11	67,592	82,256
Amount due from customers for contract work		4,285	973
Prepaid lease payments		229	232
Bank balances and cash		48,984	61,608
		155,168	181,084
CURRENT LIABILITIES			
Trade and other payables	12	95,088	118,574
Amount due to customers for contract work		3,197	2,936
Amounts due to directors	13	1,937	1,473
Taxation payable		35,775	35,393
		135,997	158,376
NET CURRENT ASSETS			
		19,171	22,708
NET ASSETS			
		101,998	106,338
CAPITAL AND RESERVES			
Share capital	14	6,400	6,400
Reserves		95,015	99,476
Equity attributable to owners of the Company		101,415	105,876
Non-controlling interests		583	462
Total Equity		101,998	106,338

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 2017	6,400	680	9,194	-	72,269	88,543	703	89,246
Profit for the period	-	-	-	-	7,861	7,861	352	8,213
Other comprehensive expense	-	-	1,535	-	-	1,535	-	1,535
Total comprehensive income for the year	-	-	1,535	-	7,861	9,396	352	9,748
Dividends recognized as distribution	-	-	-	-	(1,920)	(1,920)	-	(1,920)
At 30 June 2017	6,400	680	10,729	-	78,210	96,019	1,055	97,074
At 1 January 2018	6,400	680	11,443	-	87,353	105,876	462	106,338
Profit for the period	-	-	-	-	5,022	5,022	121	5,143
Other comprehensive expense	-	-	117	-	-	117	-	117
Total comprehensive income for the year	-	-	117	-	5,022	5,139	121	5,260
Dividends recognised as distribution	-	-	-	-	(9,600)	(9,600)	-	(9,600)
At 30 June 2018	6,400	680	11,560	-	82,775	101,415	583	101,998

Note:

- i. 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.
- ii. The Capital reorganization has become effective on 10 March 2017, the par value of each of the then issued shares of the Company of HK\$0.10 each in the share capital of the Company be reduced from HK\$0.10 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.09 on each of the issued share such that the par value of each of the then issued share be reduced from HK\$0.10 to HK\$0.01.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 30 June 2018*

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(1,786)	26,457
NET CASH (USED IN) INVESTING ACTIVITIES	(1,692)	(7,403)
NET CASH (USED IN) FINANCING ACTIVITIES	(9,600)	(1,920)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	454	1,443
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,624)	18,577
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	61,608	43,031
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,984	61,608
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS represented by bank balances and cash	48,984	61,608
	48,984	61,608

Notes:

1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the GEM on 4 January 2002. The registered office address of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is at Unit 907, 9th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.

The Interim Financial Statements are presented in Hong Kong dollars. The functional currency of the Company is United States dollars (“USD”). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company acts as an investment holding company.

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”) and with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties, which are measured at fair value. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017 (“the 2017 Financial Statements”), except for the amendments and interpretations of HKFRSs (“New HKFRSs”) issued by HKICPA, which have become effective in this period as detailed in notes of the 2017 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group’s condensed consolidated financial statements for the period.

3. REVENUE

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

4. SEGMENT INFORMATION

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

Segment information reported internally for the purposes of resources allocation and performance assessment is analysed based on the class of customers which is the same as information reported to the chief operating decision makers. The Group is currently engaged in the sales of connectivity products to two classes of customers, namely, original equipment manufacturer customers (“**OEM customers**”) and retail distributors. During the year of 2017, the Group started to engage in a new business of master-planning and architecture design. The Group’s operating segments under HKFRS 8 are as follows:

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	OEM Customers	Retail distributors	Provision of architectural services	Total	OEM Customers	Retail distributors	Provision of architectural services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT REVENUE								
– External sales	107,553	53,800	10,268	171,621	122,691	57,046	–	179,737
SEGMENT PROFIT	15,635	3,107	3,679	22,421	19,558	7,189	–	26,747
Unallocated expenses				(18,291)				(19,407)
Other income				2,299				2,092
Profit before taxation				6,429				9,432

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 segments.

Geographical segments

The Group's operation 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							
	Three months ended 30 June				Six months ended 30 June			
	2018 HK\$'000 (Unaudited)	%	2017 HK\$'000 (Unaudited)	%	2018 HK\$'000 (Unaudited)	%	2017 HK\$'000 (Unaudited)	%
Korea	38,326	43.5%	41,224	44.7%	75,058	43.7%	79,354	44.2%
Japan	16,936	19.2%	22,131	24.0%	37,245	21.7%	43,169	24.0%
Taiwan	2,564	2.9%	6,469	7.0%	7,016	4.1%	23,435	13.0%
United States of America ("U.S.A.")	17,902	20.3%	12,359	13.4%	32,734	19.1%	21,189	11.8%
PRC	7,622	8.7%	560	0.6%	11,304	6.6%	1,180	0.7%
Others	4,721	5.4%	9,541	10.3%	8,264	4.8%	11,410	6.3%
	88,071	100.0%	92,284	100.0%	171,621	100.0%	179,737	100.0%

5. PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Depreciation and amortisation	1,965	1,654	3,953	3,252

6. INCOME TAX EXPENSES

The amount represents current tax charge on assessable profit arising in jurisdiction other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction. No provision for Hong Kong profits tax has been made in the Interim Financial Statements, as the Group has no assessable profit arising in Hong Kong in the Half-Year Period.

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Second Quarter Period and Half-Year Period is based on the consolidated profit attributable to shareholders of approximately HK\$4,990,000 and HK\$5,022,000 respectively (consolidated profit attributable to shareholders for three months and six months ended 30 June 2017: HK\$4,943,000 and HK\$7,861,000 respectively) and on the number of 640,000,000 shares (2017: 640,000,000 shares) in issue.

No dilutive earnings per share has been presented for the Second Quarter Period and Half-Year Period because there is no outstanding share options in the respective period.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Half-Year Period. (six months ended 30 June 2017: nil).

9. PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

During the Half-Year Period, the Group acquired property, plant and equipment at a total cost of approximately HK\$2,069,000 (six months ended 30 June 2017: HK\$2,272,000). The investment properties were valued at HK\$13,960,000 on 31 December 2017 by Centaline Surveyors Limited, an independent qualified professional valuer not connected with the Group.

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

The Directors consider that the fair value of the investment properties as at 30 June 2018 was not significantly different from their carrying value as at 31 December 2017.

10. CLUB DEBENTURE

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

11. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2018 <i>HK\$'000</i> (Unaudited)	31 December 2017 <i>HK\$'000</i> (Audited)
Within 30 days	24,621	25,273
From 31 days to 120 days	35,996	48,141
From 121 days to 180 days	419	16
Over 180 days	260	–
	61,296	73,430
Other receivable	6,296	8,826
	67,592	82,256

12. TRADE AND OTHER PAYABLES

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

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 30 days	16,862	17,838
From 31 days to 90 days	29,320	38,566
From 91 days to 150 days	3,748	15,395
Over 150 days	2,611	2,740
	52,541	74,539
Other payables	42,547	44,035
	95,088	118,574

13. AMOUNTS DUE TO DIRECTORS

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

14. SHARE CAPITAL

Pursuant to an unanimously resolution passed by the shareholders in the extraordinary general meeting held on 28 January 2017, the par value of each of the then issued share of HK\$0.10 each in the share capital of the Company ("Share(s)") be reduced from HK\$0.10 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.09 on each of the then issued Shares such that the par value of each of the then Share be reduced from HK\$0.10 to HK\$0.01.

The total capital of Company is then reduced from HK\$64,000,000 to HK\$6,400,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the Half-Year Period, the Group had suffered from the sluggish marketing condition and the remarkable rise of renminbi and labour costs. These business segments contributed revenue of approximately HK\$161.4 million for the Half-Year Period (six months ended 30 June 2017: HK\$179.7 million), representing a decrease of approximately 10.2%.

It was expected that these adverse factors would continue to affect these business segments in the coming quarters. However, the Group will continue to devote its efforts for improvement of its financial performance.

On 4 July 2017, the Group entered a business cooperation agreement (the “**Business Cooperation Agreement**”) with the relevant companies beneficially owned by Mr. Wang Li Feng, Mr. Kong Lixing, Mr. Zhao Guo Xing, all are executive directors of the Company, and Mr. Dong Jianqiang (a former executive director of the Company) for the solicitation of master planning and architectural design business (the “**Business**”) from independent developers. Please refer to the circular of the Company dated 6 February 2018.

Further, on 29 May 2018, the Company entered into the design subcontracting agreements (the “**Design Subcontracting Agreements**”) with PT Architecture Design (Shenzhen) Company Limited* (柏濤建築設計(深圳)有限公司) (“**PT Shenzhen**”), a company wholly-owned by PT Consultants Design Consultants Limited (澳大利亞柏濤設計諮詢有限公司), which is in turn is wholly-owned by Mr. Wang Li Feng, the chairman of the Board and an executive Director, pursuant to which PT Shenzhen will subcontract the architectural schematic design work in respect of Fengshan International Phase 8* (峰山國際八期) in Ganzhou City and Hengrun Shilijiangwan* (恒潤十里江灣) in Yongzhou City to the Company. As all the applicable percentage ratios (other than profit ratio) are less than 5%, the Design Subcontracting Agreements are subject to the reporting and announcement requirements but is exempt from the independent Shareholders’ approval requirement under Chapter 20 of the GEM Listing Rules. For details, please refer to the announcement of the Company dated 29 May 2018.

The Group has been recognizing revenue from the Business since the third quarter of 2017. As it is the tradition in this business segment that the revenue is generally lower in the first quarter than other quarters, there was an increase of approximately HK\$4.0 million in revenue for the Second Quarter Period as compared with the first quarter, representing an increase of approximately 127.8%.

As there is no sign that the ongoing Sino-US trade war would be ceased in a short period of time and having considered the unfavourable economic situations, the Directors continue to keep a conservative view as to the results of the Group in the coming quarters.

Financial Review

Revenue and gross profit

The Group recorded a revenue of HK\$171,621,000 for the Half-Year Period (six months ended 30 June 2017: HK\$179,737,000), decreased by approximately 4.5%.

Revenue generated from OEM customers and retail distributors decreased by approximately 12.3% and 5.7% respectively as compared with the last corresponding period. Revenue generated from the new master-planning and architectural design services business during the Half-Year Period was HK\$10,268,000 (six months ended 30 June 2017: nil)

Revenue generated in Korea, Japan, Taiwan and the other regions decreased by 5.4%, 13.7%, 70.1% and 27.6% respectively. Revenue generated from USA and the PRC increased by 54.5% and 858.0% respectively. The decrease of revenue in Taiwan was mainly attributable to the drop of orders from a Taiwan OEM customer. The increase of revenue in the PRC was attributable to the launching of the new master-planning and architectural design services in the PRC during the Half-Year Period.

Other income

The Group earned other income of approximately HK\$2,299,000 during the Half-Year Period (six months end 30 June 2017: HK\$2,092,000).

Selling and distribution expenses

The selling and distribution expenses was approximately HK\$5,177,000 during the Half-Year Period (six months end 30 June 2017: HK\$6,269,000). The decrease in these expenses matched with the drop of revenue.

Administrative expenses

The administrative expenses was approximately HK\$15,248,000 during the Half-Year Period (six months end 30 June 2017: HK\$13,138,000). The increase in administrative expenses was mainly attributable to the launching of the new master-planning and architectural design services business.

Financial cost

The Group did not incur any financial cost for both periods ended 30 June 2018 and 2017.

Net Profit

The Group reported a net profit attributable to owners of the Company for the Half-Year Period of approximately HK\$5,022,000 (six months ended 30 June 2017: profit of approximately HK\$7,861,000).

Earnings per share

The basic earnings per share was approximately HK0.78 cents (six months ended 30 June 2017: earnings per share of approximately HK1.23 cents).

Liquidity and financial resources

As at 30 June 2018, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$19.2 million, HK\$49.0 million and HK\$101.4 million (31 December 2017: HK\$22.7 million, HK\$61.6 million and HK\$105.9 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.14 (31 December 2017: 1.14).

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

As at 30 June 2018, 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 Chapter 571 ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Exchange**") pursuant to the required standards of dealings by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") operated by the Exchange (the "**GEM Listing Rules**") and Divisions 7 and 8 of Part XV of the SFO, were as follows:

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Wang Li Feng (“ Mr. Wang ”) (<i>Note 1</i>)	Beneficial owner	355,620,000	55.57%
Mr. Pang Kuo-Shi (<i>Note 2</i>)	Interest in a controlled corporation	74,403,000	11.63%
Mr. Wong Chun (“ Mr. Wong ”)	Beneficial owner	31,390,000	4.9%

Note 1: The 355,620,000 shares are held by PT Design Group Holdings Limited (“**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, the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations at 30 June 2018.

SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 13 December 2001 (the “**Scheme**”) for the purpose of providing incentives to directors and eligible employees expired on 3 January 2017. No share option was granted under the Scheme since its adoption. Save as aforesaid, there is no other share option scheme subsist during the Half-Year Period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares” above, no person in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO was disclosed as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2018:

COMPLIANCE WITH GEM LISTING RULES 5.48 TO 5.67

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

INTERESTS IN COMPETING BUSINESS

During the Half-Year Period, the following Directors had interests in the following business which were considered to compete or likely to compete, either directly or indirectly, with the business of the Group (other than those business where the Directors were appointed as directors to represent the interests of the Company and/or the Group):

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interests
Wang Li Feng	PT Consultants Design Consultants Limited (“PT Consultants”)	Provision of Architectural Design Service (other than technical and documentation work)	Directly holding 100% interest in PT Consultants and the sole director
	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 100% interest in PT Shenzhen through PT Consultants and a director
	Shanghai PT Architecture Design & Consultant Co., Ltd (“Shanghai PT”)	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing business	Nature of interests
Kong Lixing	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	A director
	Shanghai PT	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director
Zhao Guo Xing	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	A director and general manager
He Yongyi	Shanghai PT	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director

As (i) each of the above Directors is fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; (ii) the Business will be first undertaken by the Group as general design contractor under the Business Cooperation Agreement unless otherwise requested by independent developers; (iii) unless otherwise requested by independent developers, all masterplanning work shall be first subcontracted to the Group; (iv) the Group have the first right of refusal on accepting the architectural schematic design work unless it is specifically requested by the independent developers that such work shall be performed by PT Consultants or PT Shenzhen; and (v) each of Wang Li Feng, Kong Lixing and He Yongyi has not involved in the day-to-day management and operation of Shanghai PT, the Group is capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed above, the Directors are not aware of any business and interest of the Directors that competed or might compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group during the Half-Year Period.

RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 13, during the Half-Year Period, the Group entered into the following transactions with related and connected parties:

Name	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Glory Mark Electronic Limited ("GMEL") (Note 1)	Rental paid by the Group	258	258	516	516
Billion Mass Limited ("Billion Mass") (Note 1)	Rental paid by the Group	39	36	79	77
San Chen Company ("San Chen") (Note 2)	Rental paid by the Group	39	36	79	77
Ms. Yu Lan (Note 2)	Rental paid by the Group	32	32	64	62
PT Shenzhen (Note 3)	Revenue earned by the Group	1,075	–	1,075	–
PT Shenzhen (Note 3)	Cost of services rendered paid by the Group	171	–	171	–

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 Li Feng, the chairman and an executive director of the Company, is indirectly interested in the entire issued share capital of PT Shenzhen.

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

CORPORATE GOVERNANCE

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

- (i) Code provision A.4.1 provides that non-executive Directors should be appointed for specific term, subject to reelection. The Company deviated from this provision in that Mr. Lau Ho Kit, Ivan, being non-executive Director of the Company, was not appointed for specific term. He is, 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 limit on director's service is appropriate given that director 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 Director have already given the Company's shareholders the right to approve continuation of non-executive Director's office.
- (ii) Code provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Given that the members of the nomination committee consider that the current composition allows the Board to perform its function efficiently, the nomination committee has yet adopted a diversity policy. The nomination committee will adopt such a policy and set measurable objectives therefore in year 2018 with an aim to evaluate the optimal composition of the Board.

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members namely, Mr. Lau Ho Kit, Ivan (Chairman), Dr. Hon. Lo Wai Kwok, SBS, MH, JP and Dr. Zhu Wenhui, who are all independent non-executive directors of the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Company. The Interim Financial Statements presented herein have not been audited but have been reviewed by the Audit Committee members who have provided advice and comments thereon.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

On behalf of the Board
Wang Li Feng
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
10 August 2018

As at the date of this report, the Board comprises Mr. Wang Li Feng, Mr. Kong Lixing, Mr. Zhao Guo Xing, Mr. He Yongyi, Mr. Pang Kuo-Shi also known as Steve Pang and Mr. Wong Chun being executive directors and Mr. Lau Ho Kit, Ivan, Dr. Hon. Lo Wai Kwok, SBS, MH, JP and Dr. Zhu Wenhui being independent non-executive directors.