GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

ANNUAL REPORT 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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 Rules 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

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

Lau Ho Kit, Ivan
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui
Fong Chi Wai, Alex (with effect from 10 January 2019)

COMPANY SECRETARY

Man Yun Wah, HKICS

AUTHORISED REPRESENTATIVE

Pang Kuo Shi
Wong Chun

COMPLIANCE OFFICER

Wong Chun

AUDIT COMMITTEE

Lau Ho Kit, Ivan *(Chairman)*
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui
Fong Chi Wai, Alex (with effect from 10 January 2019)

REMUNERATION COMMITTEE

Fong Chi Wai, Alex
(Chairman) (with effect from 20 February 2019)
Lau Ho Kit, Ivan
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui
Wong Chun
He Yongyi (with effect from 20 February 2019)
Kong Lixing (with effect from 20 February 2019)

NOMINATION COMMITTEE

Wang Li Feng *(Chairman)*
Pang Kuo Shi
Zhao Guo Xing
Lau Ho Kit, Ivan
Dr. Hon. Lo Wai Kwok, *SBS, MH, JP*
Dr. Zhu Wenhui
Fong Chi Wai, Alex (with effect from 10 January 2019)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 802, Level 8
Admiralty Centre, Tower 2
18 Harcourt Road
Admiralty, Hong Kong

Corporate Information

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

To Our Shareholders,

I would like to present to the shareholders the annual report of GLORY MARK HI-TECH (HOLDINGS) LIMITED and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

In 2018, the Group recorded revenue of approximately HK$388.77 million, representing an increase of approximately 3.1% as compared with 2017. This year, the Group recorded a profit attributable to owners of the Company of approximately HK$24.5 million (2017: HK$17.0 million), representing an increase of approximately 44.1% as compared with last year.

The Group has been suffering from the Sino-US trade war. In addition to the decrease in revenue, the Group was also to share the increased US tariff. Both of revenue and profit of electronics business decreased in the last quarter of 2018.

The business of master-planning and architectural design business was improved in 2018. Revenue and profit compelled increased to approximately HK$44.8 million and approximately HK$13.5 million respectively in 2018 (2017: approximately HK$10.4 million and approximately HK$4.5 million respectively).

The Sino-US trade war will also be a big uncertainty to the electronics business of the Group in 2019. We believe that this issue would bring an adverse impact to the electronics business of the Group in 2019.

However, we hold an optimistic view to the results of the master-planning and architectural design business in the coming year. We shall focus our efforts an business sector to raise profit for the shareholders in this year.

The financial position of the Group remains strong. As at 31 December 2018, the Group had cash on hand of approximately HK$65.1 million without any outstanding bank borrowing.

To express our heartfelt gratitude to our honourable shareholders, the Directors proposed a final dividend of HK0.3 cents per share, which is subject to approval by shareholders in the coming annual general meeting.

Taking this opportunity, I should like to express my sincere gratitude to all our customers, suppliers, business partners, staff members and shareholders for their continuous and valuable supports on the Group. I shall lead my team members to persist with best efforts in striving for optimal development for the Group and returns for our shareholders in the times to come.

DIVIDEND

The Directors proposed a final dividend of HK0.3 cents (2017: HK1.5 cents) per share, which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company proposed to be held on Thursday, 9 May 2019, (the "**AGM**"). The final dividend will be payable on or about Thursday, 20 June 2019 to the shareholders whose names appear on the register of members of the Company on Monday, 20 May 2019.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019 (both days inclusive), for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM to be held on Thursday, 9 May 2019. No transfer of Shares will be registered during the period. 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 Friday, 3 May 2019.

CLOSURE OF REGISTER FOR FINAL DIVIDEND

The register of members of the Company will be closed from Thursday, 16 May 2019 to Monday, 20 May 2019 (both days inclusive), for the purposes of determining the entitlements of the shareholders to the proposed final dividend upon the passing of relevant resolution at the AGM. No transfer of the Shares will be registered during the period. In order to qualify to 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 Wednesday, 15 May 2019.

Wang Li Feng
Chairman
Hong Kong, 26 March 2019

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 "**Electronics Business**"). The Group is one of the leading VGA cables manufacturers in the world. To diversify the Group's business and seek new exponential growth, during the year 2018, the Group had engaged in master-planning and architectural design business (the "**Master-planning and Architectural Design Business**") which involves masterplanning work, general design work and architectural schematic design work.

FINANCIAL REVIEW

Revenue and profit

The Electronics Business

During the year 2018, given the Group had launched some higher value-added products and focused on cost control methods, the Group had improved its revenue and profit margins. In 2018, the Group was benefited from the remarkable depreciation of renminbi, which significantly improved the profit margin of the Group. However, it was anticipated that this favorable cost effect would not be continued in 2019.

The Electronics Business contributed revenue and profit attributable to owners of the Company of approximately HK$344.0 million and HK$14.9 million respectively to the Group in 2018.

The Master-planning and Architectural Design Business

On 4 July 2017, the Group entered into a business cooperation agreement as supplemented on 28 August 2017 (the "**Business Cooperation Agreement**") with, among the other, Australia PT Design Consultants Limited ("**PT Consultants**") for the solicitation of the Master-planning and Architectural Design Business from independent developers. PT Consultants was an associate of Mr. Wang Li Feng ("**Mr. Wang**"). Under the Business Cooperation Agreement, unless otherwise requested by the independent developer, the Master-planning and Architectural Design Business will be first undertaken by the Group as general design contractor. The Group will be responsible for master-planning and general design work while all architectural schematic design work will be subcontracted to PT Consultants (or its subsidiary or associate), an associate of Mr. Wang. In the event that the Master-planning and Architectural Design Business is to be undertaken by PT Consultants as the general design contractor at the request of the independent developer, unless otherwise requested by the independent developer, all master-planning work shall be first subcontracted to the Group. In 2018, the Group entered into three subcontracting agreements with PT Architectural Design (Shenzhen) Company Limited ("**PT Shenzhen**") in respect of subcontracting architectural schematic design work from the Group to PT Shenzhen, which constitute continuing connected transactions under the Business Cooperation Agreement. The aggregate contract sum payable by the Group to PT Shenzhen was RMB8,224,400.

On 29 May 2018, the Group entered into two design subcontracting agreements (the "**Design Subcontracting Agreements**") with PT Shenzhen. Under the Design Subcontracting Agreement, PT Shenzhen subcontracted the architectural schematic design work to the Group in respect of Hengrun Shilijiangwan* (恒潤十里江灣) in Yongzhou City, Hunan Province and Fengshan International Phase 8* (峰山國際八期) in Ganzhou City, Jiangxi Province for the aggregate contract sum of RMB7,485,000. As PT Shenzhen is wholly-owned by PT Consultants which in turn is wholly-owned by Mr. Wang, the chairman of the Board and an executive Director, PT Shenzhen is an associate of Mr. Wang and thus a connected person of the Company. Accordingly, the Design Subcontracting Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As at the date of this annual report, PT Shenzhen is wholly-owned by PT Consultants which is in turn owned as to 27.6% by Mr. Wang, 22.0% by Mr. Kong Lixing and 13.6% by Zhao Guo Xing, all are executive Directors.

The Master-planning and Architectural Design Business contributed revenue and profit attributable to owners of the Company of approximately HK$44.8 million and HK$9.6 million respectively to the Group in 2018.

Gross Profit

The Group recorded a gross profit of approximately HK$66.5 million in 2018 (2017: approximately HK$53.5 million), representing a growth of approximately 24.3%.

Other Income

The other income for the year was approximately HK3.5 million (2017: approximately HK$4.3 million).

Selling and Distribution Expenses

The selling and distribution expenses was approximately HK$12.0 million in 2018 (2017: approximately HK$12.0 million), approximately the same as 2017.

Administrative Expenses

The administrative expenses was approximately HK$32.5 million in 2018 (2017: approximately HK$29.0 million), representing an increase of approximately HK$3.4 million. The increase was mainly due to the increase in staff cost of the master-planning and architectural design business.

Income tax expense

The Group incurred approximately HK$3.7 million in income tax expense in 2018 (2017: approximately HK$2.9 million).

Significant Investments

As at 31 December 2018, the Group held significant investments, which representing two investment properties of HK$14,980,000 located in Kwun Tong, Kowloon and rented out under short-term and medium-term operating leases.

In relation to the two investment properties, gains on change in fair value of investment properties of HK$1,020,000 was recognized at 31 December 2018.

Hong Kong Investment Properties Portfolio

Location	Usage Condition
1. Workshop No. F on 9th Floor, Camelpaint Buildings Block III, No. 60 Hoi Yuen Road, Kowloon.	Industrial use under a short-term operating lease
2. Factory C4 on 5th Floor, Wing Hing Industrial Building (Rear Block) No. 14 Hing Yip Street, Kowloon.	Industrial use under a medium-term operating lease

Liquidity and financial resources

As at 31 December 2018, the Group's net current assets, bank balances and cash and equity attributable to owners of the Company amounted to approximately HK$41.0 million, HK$65.1 million and HK$120.0 million (2017: approximately HK$22.7 million, HK$61.6 million and HK$105.9 million) respectively. The current ratio for the year, expressed as current assets over current liabilities, was approximately 1.27 (2017: 1.14). The Group had no interest bearing debt as at 31 December 2018 (31 December 2017: nil).

OUTLOOK

Master-planning and Architectural Design Business

The Group will continue to focus on developing the Master-planning and Architectural Design Business in 2019 and believes that this business segment would make certain contribution to the Group's revenue in 2019 given there is no indication that the architectural industry is in a descending trend.

The Electronics Business

The Directors have a negative view to its Electronics Business given the uncertainties on the Sino-US trade war. The anticipating appreciation of Renminbi is also a negative impact to the results of the Electronics Business.

Summing all these, the Directors hold a conservative view to the results of the Company in the coming periods.

DIRECTORS

Executive Directors

Mr. Wang Li Feng, aged 54, 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 76, 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 53, 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 50, 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, aged 62, was one of the founders of the Group. Mr. Pang was responsible for the overall strategic planning, business development, sales and marketing of the Group's initial core businesses. He has over 35 years of experience in the field of research and development, sales and marketing of computer cables and connectors. Prior to founding the Group, Mr. Pang worked as a sales manager for the US office of Hon-Hai Precision Industrial Company Limited ("**鴻海精密工業股份有限公司**"), one of the leading cable assembly and connector manufacturers in Taiwan. Mr. Pang graduated with a diploma in industrial engineering from Hsinpu Junior College of Technology in Taiwan ("**台灣新埔工業專科學校**") in 1978.

Mr. Wong Chun, aged 59, 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 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. Lau Ho Kit, Ivan, aged 60, 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 Greater Bay Area Investments Group Holdings Limited (formerly CCT Land Holdings 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 66, 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.

Dr. Zhu Wenhui, aged 49, 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.

Mr. Fong Chi Wai, Alex, aged 62, is currently a director of HK Electric Investments Manager Limited and a director of The Hongkong Electric Company, Limited. Mr. Fong was the chief executive officer of Hong Kong General Chamber of Commerce (the "Chamber") from 2006 to 2011. Prior to joining the Chamber, he served in the civil service for over 25 years, holding various senior positions in the Government of Hong Kong. Mr. Fong has a long record of public service providing both operational and policy-formulation expertise. Mr. Fong has been appointed as an independent non-executive director of HK Electric Investments and HK Electric Investments Limited, a company listed on the Stock Exchange (stock code: 2638), since December 2013. He was an independent non-executive director of Power Assets Holdings Ltd., a company listed on the Stock Exchange (stock code: 6) and a substantial holder of Share Stapled Units for the purpose of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), from December 2012 to January 2014.

Mr. Fong received a Bachelor of Social Science degree in Business and Economics from the University of Hong Kong in November 1978, a Master of Technology Management degree in Global Logistics Management and a Master of Science degree in Global Finance from the Hong Kong University of Science and Technology in April 2007 and May 2009 respectively.

Senior Management

Mr. Man Yun Wah, aged 36 is the company secretary of the Company. He holds a Bachelor's Degree in Business Administration and Management and a Master's Degree in Corporate Governance. He is currently an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Mr. Man has extensive experience in handling secretarial matters of listed companies.

Mr. Chui Wing Kit (**徐永傑**), aged 61, 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 57, 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 60, 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.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 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 7 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 10.7% and 23.1%, respectively, of the Group's total purchases for the Year.

The largest and the top five customers of the Group accounted for about 29.1% and 61.0%, 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 35 of this report.

The Directors have resolved to recommend the payment of a final dividend of HK0.3 cents per share to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 20 May 2019, amounting to HK$1,920,000 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 100 of the annual report.

FIXED ASSETS

The Group's investment properties were revalued at 31 December 2018. There is an increase in fair value of investment properties of HK$1,020,000.

The Group expended HK$1,838,000 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 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

The Company's reserve available for distribution to shareholders as at 31 December 2018 amounted to HK$5,988,000.

DIRECTORS

The Directors 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 Jianqiang (resigned on 19 March 2018)
Mr. Zhao Guo Xing

Independent non-executive directors:

Mr. Lau Ho Kit, Ivan
Mr. Liu Ping Chun (resigned on 28 March 2018)
Dr. Hon. Lo Wai Kwok, *S.B.S. MH, JP*
Dr. Zhu Wenhui
Mr. Fong Chi Wai, Alex (appointed on 10 January 2019)

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 ("**CG Code**"), 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. Wang Li Feng, Mr. Wong Chun, Mr. He Yongyi, Mr. Lau Ho Kit, Ivan and Mr. Fong Chi Wai, Alex shall retire from office at the AGM 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 AGM 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 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 ("**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 Li Feng (Note 1)	Interest in a controlled corporation	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	31,040,000	4.85%

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 owned as to 90.17% by Mr. Wang Li Feng, the chairman and an executive director of the Company, approximately 3.97% by Aggregation Investment Limited; approximately 1.68% by Polygons Union Limited; and approximately 1.25% by Platinum Time Co., Ltd.) as to 63.28%, Zhao Li Holdings Limited (which is wholly-owned by Mr. Kong Lixing, an executive director of the Company) as to approximately 6.65%, Infinity Glory Investments Limited (which is wholly-owned by Mr. Wang Li Feng) as to approximately 23.79%, Atelier Urbaneer Limited (which is wholly-owned by Mr. Zhao Guo Xing, an executive director of the Company) as to approximately 3.62% and Nexterm Holdings Limited (which is wholly-owned by Mr. He Yongyi, an executive directors of the Company) as to approximately 2.66%.

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 and chief executive of the Company, 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 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

Up to the date of this report, the persons or entities (other than the Directors and chief executive of the Company) who have interests or short positions in the Shares and underlying Shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of issued Ordinary shares held	Percentage of issued share capital of the
PT Design	Beneficial Owner	355,620,000	55.57%

Note:

PT Design is held by Wise Thinker Holdings Limited (which is owned as to 90.17% by Mr. Wang Li Feng, the chairman and an executive director of the Company, approximately 3.97% by Aggregation Investment Limited; approximately 1.68% by Polygons Union Limited; and approximately 1.25% by Platinum Time Co., Ltd.) as to 63.28%, Zhao Li Holdings Limited (which is wholly-owned by Mr. Kong Lixing, an executive director of the Company) as to approximately 6.65%, Infinity Glory Investments Limited (which is wholly-owned by Mr. Wang Li Feng) as to approximately 23.79%, Atelier Urbaneer Limited (which is wholly-owned by Mr. Zhao Guo Xing, an executive director of the Company) as to approximately 3.62% and Nexterm Holdings Limited (which is wholly-owned by Mr. He Yongyi, an executive directors of the Company) as to approximately 2.66%.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

During the Year, no share options were granted or exercised. As at 31 December 2018, no share options were outstanding.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 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 2018.

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 2018.

CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

On 4 July 2017, the Group entered into the Business Cooperation Agreement with, among the other, PT Consultants for the solicitation of the Master-planning and Architectural Design Business from independent developers. PT Consultants was an associate of Mr. Wang. Under the Business Cooperation Agreement, unless otherwise requested by the independent developer, the Master-planning and Architectural Design Business will be first undertaken by the Group as general design contractor. The Group will be responsible for master-planning 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 Master-planning and Architectural Design Business is to be undertaken by PT Consultants as the general design contractor at the request of the independent developer, unless otherwise requested by the independent developer, all master-planning work shall be first subcontracted to the Group. For details of the Business Cooperation Agreement, please refer to the circular of the Company dated 6 February 2018.

The Group entered into three subcontracting agreements with PT Shenzhen (a wholly-owned subsidiary of PT Consultants) in June, July and December 2018 respectively in respect of subcontracting architectural schematic design work from the Group to PT Shenzhen (collectively the "**Continuing Connected Transactions**"), which constitute continuing connected transactions under the Business Cooperation Agreement. The aggregate contract sum payable by the Group to PT Shenzhen was RMB8,224,400. Set out below are the annual caps (the "**Annual Caps**") in respect of the subcontracting arrangement under the Business Cooperation Agreement:

Architectural Schematic Design Work

The architectural schematic design work to be subcontracted by the Group to PT Consultants (or its subsidiary or associate), in term of aggregate contract sum, shall not exceed HK$75.00 million, HK$75.00 million and HK$37.50 million for the year ended 31 December 2018, the year ending 31 December 2019 and the six months ending 30 June 2020 respectively.

Master-planning Work

The master-planning work to be subcontracted by PT Consultants (or its subsidiary or associate) to the Group, in term of aggregate contract sum, shall not exceed HK$25.0 million, HK$25.0 million and HK$12.5 million for the year ended 31 December 2018, the year ending 31 December 2019 and the six months ending 30 June 2020 respectively.

The Annual Caps were approved by the independent shareholders of the Company in the special general meeting held on 28 February 2018.

A committee, with Dr. Lo Wai Kwok as chairman and Mr. Wong Chun and Mr. Lau Ho Kit as members, has been established by the Company for the purpose of supervising and monitoring the transactions contemplated under the Business Cooperation Agreement. Each of the Continuing Connected Transactions was approved by the committee given, inter alias, they were entered into on normal commercial terms and did not exceed the relevant Annual Caps.

Confirmations from the independent non-executive Directors and auditors of the Company

Pursuant to Rule 20.53 of the GEM Listing Rules, the independent non-executive Directors have reviewed the Continuing Connected Transactions for the Year and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;
(ii) on normal commercial terms; and
(iii) in accordance with the Business Cooperation Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Board confirms that the auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions, made during the Year is disclosed in note 33 to the financial statements.

Connected Transactions

On 29 May 2018, the Group entered into the Design Subcontracting Agreements with PT Shenzhen in relation to the subcontracting of the architectural schematic design work in respect of Fengshan International Phase 8* (峰山國際八期) in Ganzhou City, Jiangxi Province and Hengrun Shilijiangwan* (恒潤十里江灣) in Yongzhou City, Hunan Province. The aggregate contract sum payable by the Group to PT Shenzhen was RMB7,485,000. As PT Shenzhen was an associate of Mr. Wang at the material time, the Design Subcontracting Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. 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 of the Design Subcontracting Agreements, please refer to the announcement of the Company dated 29 May 2018.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 33 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.

As at the date of this annual report, PT Shenzhen is wholly-owned by PT Consultants which is in turn owned as to 27.6% by Mr. Wang, 22.0% by Mr. Kong Lixing and 13.6% by Zhao Guo Xing, all are executive Directors.

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of 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 transactions and connected transactions disclosed above, during the Year, 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
Mr. Wang	PT Consultants	Provision of Architectural Design Service (other than technical and documentation work)	Directly holding 27.6% interest in PT Consultants and a director
	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 27.6% 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
Kong Lixing	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 22.0% interest through PT Consultants and 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
	PT Consultants	Provision of Architectural Design Service (other than technical and documentation work)	A director and directly holding 22.0% interest in PT Consultants
Zhao Guo Xing	PT Consultants	Provision of Architectural Design Service (other than technical and documentation work)	Directly holding 13.6% interest in PT Consultants
	PT Shenzhen	Provision of Architectural Design Service (other than technical and documentation work)	Indirectly holding 13.6% interest through PT Consultants and 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 Master-planning and Architectural Design 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 master-planning 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 Architectural; and (v) each of Mr. Wang, Mr. Kong Lixing and Mr. 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 Year.

DONATIONS

During the Year, the Group made charitable and other donations amounting to HK$258,000.

SUFFICIENCY PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company had, up to the date of this 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
26 March 2019

The Company complied throughout the year 2018 with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save for 1) Code provision A.4.1 provides that non-executive Directors should be appointed for specific term, subject to re-election at general meeting. The Company deviated from this provision in that all the non-executive Directors were not appointed for specific term. They are, however, subject to retirement and re-election every three years pursuant to the GEM Listing Rules and the Bye-Laws of the Company. 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; and 2) Code Provision A.5.2(a) provides that the Nomination Committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee did not hold any meeting during the Year as there was no nomination of director was required during the Year.. 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.

CHANGE OF DIRECTORSHIP DURING AND AFTER THE REPORTING PERIOD

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.

Mr. Liu Ping Chun ("**Mr. Liu**") has resigned as an independent non-executive Director with effect from 28 March 2018 so as to focusing his other business. The Board is not aware of any matters relating to the resignation of Mr. Liu 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.

Mr. Fong Chi Wai, Alex ("**Mr. Fong**") has been appointed as an independent non-executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee of the Company, with effect from 10 January 2019. Biographical details of Mr. Fong are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this report.

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. Lau Ho Kit, Ivan ("**Mr. Lau**"), Dr. Hon. Lo Wai Kwok, SBS, MH, JP ("**Dr. Lo**"), Dr. Zhu Wenhui ("**Dr. Zhu**") and Mr. Fong Chi Wai, Alex ("**Mr. Fong**"). 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.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2018, the Board held four meetings.

The attendance record of each member of the Board during the Year at the Board meetings, the annual general meeting for the year 2018 ("**2018 AGM**") and the special general meeting held on 28 February 2018 ("**SGM**") is set out below:

	Attendance/Number of meetings		
	Board meetings	**2018 AGM**	**SGM**
Executive Directors			
Mr. Wang (Chairman)	5/5	1/1	1/1
Mr. Wong (Deputy Chairman and Chief Executive Officer)	5/5	1/1	1/1
Mr. He (Chief Operation Officer)	5/5	1/1	1/1
Mr. Pang	4/5	0/1	0/1
Mr. Kong	3/5	0/1	0/1
Mr. Zhao	5/5	0/1	0/1
Mr. Dong (resigned on 19 March 2018)	N/A	N/A	0/1
Independent Non-Executive Directors			
Mr. Liu (resigned on 28 March 2018)	0/1	N/A	0/1
Mr. Lau	5/5	1/1	1/1
Dr. Lo	5/5	0/1	0/1
Dr. Zhu	5/5	0/1	0/1
Mr. Fong (appointed on 10 January 2019)	N/A	N/A	N/A

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 four independent non-executive Directors, namely Mr. Fong (Chairman), Mr. Lau, Dr. Lo and Dr. Zhu, and three executive Directors, namely Mr. Wong, Mr. He and Mr. Kong.

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

	Attendance
Members of Remuneration Committee	
Mr. Liu (resigned on 28 March 2018)	0/1
Mr. Fong (Chairman) (appointed on 10 January 2019)	N/A
Mr. Lau	4/4
Dr. Lo	4/4
Dr. Zhu	4/4
Mr. Wong	4/4
Mr. He	N/A

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$1,400,000 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 of the Company (the "**Audit Committee**") comprises four members, namely Mr. Lau (Chairman), Dr. Lo, Dr. Zhu and Mr. Fong, 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 member of the Audit Committee during the Year is set out below:

	Attendance
Members of Audit Committee	
Mr. Lau (Chairman)	4/4
Mr. Liu (resigned on 28 March 2018)	0/1
Dr. Lo	4/4
Dr. Zhu	4/4
Mr. Fong (appointed on 10 January 2019)	N/A

NOMINATION OF DIRECTORS

The Board has established a nomination committee (the "**Nomination Committee**") pursuant to the requirements of the CG Code. The Nomination 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

In structuring of the Board composition, by taking into account the Group's board diversity policy, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee was made up of three executive Directors, namely Mr. Wang (Chairman), Mr. Pang and Mr. Zhao, and four independent non-executive Directors, namely Mr. Lau, Dr. Lo, Dr. Zhu and Mr. Fong.

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 on 19 March 2018)	✓
Independent Non-Executive Directors	
Mr. Liu (resigned on 28 March 2018)	✓
Mr. Lau	✓
Dr. Lo	✓
Dr. Zhu	✓
Mr. Fong (appointed on 10 January 2019)	✓

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.

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Bye-laws of the Company.

The dividends may be paid up in the form of the Company's shares in addition to cash, by the distribution of specific assets of any kind or by distribution of any form. Subject to compliance with applicable laws, rules, regulations and the Bye-laws of the Company, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

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 35 to 99 which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contract work of comprehensive architectural services	
We identified the revenue recognition on contract work of comprehensive architectural services as a key audit matter due to the significant judgments exercised by the management in determining the estimation of contract revenue. The Group recognises service revenue by reference to the stage of completion of the design activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition involves a significant degree of judgment, with estimates being made to assess the total contract costs and stage of completion of the contract. As disclosed in note 5 to the consolidated financial statements, the Group recognises the contract revenue amounted to HK$44,780,000 for the year ended 31 December 2018.	Our procedures in relation to revenue recognition on contract work of comprehensive architectural services included: • Understanding the management's process relating to the estimation of total contract costs and recording of costs; • Obtaining an understanding from the Group's project team including project managers, about the contract terms, performance and status of selected contracts to evaluate the reasonableness of the project team's basis of estimation of the total contract costs, and stage of completion of the work performed to date; • Performing comparisons between the stage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences by obtaining an understanding from project team; and • Checking the progress billings and contract costs, on a sample basis, to invoice issued and staff costs incurred respectively.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significant of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses of the Group's trade receivables and contract assets at the end of the reporting period. As at 31 December 2018, the Group's trade receivables and contract assets amounting to approximately HK$72,215,000 and HK$5,630,000, which represented approximately 26% and 2% of total assets of the Group, respectively. As explained in notes 19 and 20 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" and recognised an additional impairment of HK$2,140,000 for trade receivables for the year ended 31 December 2018.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding key controls on how the management estimates the loss allowance for trade receivables and contract assets; • Testing the integrity of information used by the management to develop the provision matrix, including trade receivables ageing analysis as at 1 January 2018 and 31 December 2018, on a sample basis; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 1 January 2018 and 31 December 2018, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade receivables subsequent to the end of the current reporting period.

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.

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 Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	388,770	377,118
Cost of sales and services rendered		(322,309)	(323,588)
Gross profit		66,461	53,530
Other income		3,451	4,348
Other loss		(605)	–
Gain on disposal of property, plant and equipment		–	11
Change in fair value of investment properties	14	1,020	2,470
Share of profit of a joint venture		2,239	384
Selling and distribution expenses		(12,011)	(12,019)
Administrative expenses		(32,460)	(29,042)
Profit before taxation		28,095	19,682
Income tax expense	8	(3,661)	(2,919)
Profit for the year	9	24,434	16,763
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(692)	2,249
Total comprehensive income for the year		23,742	19,012
Profit (loss) for the year attributable to:			
Owners of the Company		24,456	17,004
Non-controlling interests		(22)	(241)
		24,434	16,763
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		23,764	19,253
Non-controlling interests		(22)	(241)
		23,742	19,012
Earnings per share			
Basic	11	HK 3.82 cents	HK 2.66 cents

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**51,766**	58,465
Prepaid lease payments	13	**7,498**	8,130
Investment properties	14	**14,980**	13,960
Interest in a joint venture	15	**2,628**	389
Club debenture	16	**1,160**	1,160
Deposits paid	17	**1,445**	1,526
		79,477	83,630
CURRENT ASSETS			
Inventories	18	**43,930**	36,015
Trade and other receivables	19	**80,525**	82,256
Contract assets	20	**5,630**	–
Amounts due from customers for contract work	21	**–**	973
Prepaid lease payments	13	**220**	232
Bank balances and cash	22	**65,087**	61,608
		195,392	181,084
CURRENT LIABILITIES			
Trade and other payables	23	**103,147**	118,574
Contract liabilities	24	**12,770**	–
Amounts due to customers for contract work	21	**–**	2,936
Amounts due to directors	25	**1,473**	1,473
Tax liabilities		**36,999**	35,393
		154,389	158,376
NET CURRENT ASSETS		**41,003**	22,708
NET ASSETS		**120,480**	106,338
CAPITAL AND RESERVES			
Share capital	26	**6,400**	6,400
Reserves		**113,640**	99,476
Equity attributable to owners of the Company		**120,040**	105,876
Non-controlling interests		**440**	462
TOTAL EQUITY		**120,480**	106,338

The consolidated financial statements on pages 35 to 99 were approved and authorised for issue by the Board of Directors on 26 March 2019 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 2018

	Equity attributable to owners of the Company						
	Share capital	Merger reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000* (note)	*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 (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
Profit (loss) for the year	**–**	**–**	**–**	**24,456**	**24,456**	**(22)**	**24,434**
Other comprehensive expense	**–**	**–**	**(692)**	**–**	**(692)**	**–**	**(692)**
Total comprehensive (expense) income for the year	**–**	**–**	**(692)**	**24,456**	**23,764**	**(22)**	**23,742**
Dividends (note 10)	**–**	**–**	**–**	**(9,600)**	**(9,600)**	**–**	**(9,600)**
At 31 December 2018	**6,400**	**680**	**10,751**	**102,209**	**120,040**	**440**	**120,480**

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 2018

	2018 *HK$'000*	2017 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**28,095**	19,682
Adjustments for:		
Interest income on bank deposits	**(281)**	(121)
Depreciation of property, plant and equipment	**7,600**	6,715
Amortisation of prepaid lease payments	**228**	224
Provision of allowance for credit losses/doubtful debts	**2,140**	41
Provision of allowance for inventories	**2,742**	211
Change in fair value of investment properties	**(1,020)**	(2,470)
Share of profit of a joint venture	**(2,239)**	(384)
Written off deposit paid	**605**	–
Gain on disposal of property, plant and equipment	**–**	(11)
Operating cash flows before movements in working capital	**37,870**	23,887
Increase in inventories	**(11,059)**	(7,347)
Increase in trade and other receivables	**(409)**	(842)
(Decrease) increase in trade and other payables	**(3,978)**	8,965
Increase in contract assets	**(4,657)**	–
Increase in contract liabilities	**852**	–
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	**18,619**	26,626
Income taxes paid	**(460)**	(179)
NET CASH FROM OPERATING ACTIVITIES	**18,159**	26,447
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**–**	23
Interest received	**281**	121
Purchase of property, plant and equipment	**(2,670)**	(6,652)
Increase in deposits paid for acquisition of property, plant and equipment	**(1,293)**	(890)
Investment in a joint venture	**–**	(5)
NET CASH USED IN INVESTING ACTIVITIES	**(3,682)**	(7,403)
FINANCING ACTIVITIES		
Dividends paid	**(9,600)**	(1,920)
Advance from directors	**–**	10
NET CASH USED IN FINANCING ACTIVITIES	**(9,600)**	(1,910)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,877**	17,134
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**61,608**	43,031
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,398)**	1,443
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**65,087**	61,608

1. GENERAL

Glory Mark Hi-Tech (Holdings) Limited (the "Company") was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock 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 2018.

The Company acts as an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of connectivity products mainly for computers and peripheral products. During the year ended 31 December 2017, the Company and its subsidiaries (collectively referred to as the "Group") started to engage in a new business in provision of comprehensive architectural service through the establishment of two subsidiaries and a joint venture, all established in the People' Republic of China (the "PRC").

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- manufacturing and trading of connectivity products
- provision of comprehensive architectural services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

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

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

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Amounts due from customers for contract work	*(a)*	973	(973)	–
Contract assets	*(a)*	–	973	973
Current liabilities				
Amounts due to customers for contract work	*(a)*	2,936	(2,936)	–
Contract liabilities	*(a)*	–	11,918	11,918
Trade and other payables	*(b)*	118,574	(8,982)	109,592

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) As at 1 January 2018, amounts due from (to) customers for contract work of HK$973,000 and HK$2,936,000 previously included in current assets and current liabilities were reclassified to contract assets and contract liabilities, respectively.

(b) As at 1 January 2018, deposits received from customers of HK$8,982,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

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

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

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	–	5,630	5,630
Contract assets	5,630	(5,630)	–
Current liabilities			
Amounts due to customers for contract work	–	3,928	3,928
Contract liabilities	12,770	(12,770)	–
Trade and other payables	103,147	8,842	111,989

The explanations of the above changes affected in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are set out in notes (a) and (b) above for describing the adjustments made to the consolidated statement of financial position at 1 January 2018 upon the adoption of HKFRS 15.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Increase in amounts due from customers for contract work	–	(4,657)	(4,657)
Increase in amounts due to customers for contract work	–	992	992
Increase in contract assets	(4,657)	4,657	–
Increase in contract liabilities	852	(852)	–
Decrease in trade and other payables	(3,978)	(140)	(4,118)

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

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

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of cash flows (Continued)

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

2.2 HKFRS 9 *Financial Instruments* *(Continued)*

Summary of effects arising from initial application of HKFRS 9

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in note 32.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as discussed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

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

HKFRS 16 *Leases* *(Continued)*

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 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 cash flows by the Group and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised 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 the 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.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$3,012,000 as disclosed in note 27. 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$200,000 and refundable rental deposits received of HK$35,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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 GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, 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*.

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 members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a joint venture *(Continued)*

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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, 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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Revenue recognition (prior to 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

Goods, services, interests and rental income

(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.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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 advances received. 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.

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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 the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 consideration (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.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 operations are translated into the presentation currency of the Group (i.e. HK$) using exchanges rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

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 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.

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" 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 and interest in a joint venture, 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 and interest 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 each 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are 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)*

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 assets 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.

Club debenture

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

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that it may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets *(Continued)*

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 and loss.

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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and contract assets are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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 on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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 loss 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.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments 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.

Financial liabilities

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

Derecognition

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 SOURCES 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.

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Revenue recognition on contract work

The management estimates the amount of foreseeable losses or attributable profits of comprehensive architectural design work based on the latest available budgets of the contracts prepared by project team with reference to the overall performance of each contract work and the management's best estimates and judgments.

Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement. Notwithstanding that the management reviews and revises the estimates of contract costs for the contract as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

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

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 32, 19 and 20, respectively.

Fair value of investment properties

As at 31 December 2018, investment properties were carried in the consolidated statement of financial position at aggregate fair value of HK$14,980,000 (2017: HK$13,960,000). 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.

5. REVENUE

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Sales of connectivity products	Contract of comprehensive architectural services	Total
	HK$'000	*HK$'000*	*HK$'000*
Geographical markets			
Korea	119,651	–	119,651
Taiwan	25,831	–	25,831
Japan	94,015	–	94,015
United States of America ("USA")	82,046	–	82,046
PRC	2,421	44,780	47,201
Others	20,026	–	20,026
Total	343,990	44,780	388,770
Types of customers			
Original equipment manufacturer ("OEM") customers	226,602	–	226,602
Retail customers	117,388	–	117,388
Independent contractors	–	44,780	44,780
Total	343,990	44,780	388,770
Timing of revenue recognition			
A point in time	343,990	–	343,990
Over time	–	44,780	44,780
Total	343,990	44,780	388,770

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts of comprehensive architectural services are typically completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE *(Continued)*

For the year ended 31 December 2018 *(Continued)*

(iii) Performance obligation for contract with customers

(a) Sales of connectivity products

For trading of connectivity products, the Group sells connectivity products to OEM customers and retail customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the specific location and confirmed by the customers.

(b) Contract of comprehensive architectural services

The Group provides comprehensive architectural services to independent contractors. Such services are recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

The Group's service contracts include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 30% of total contract sum, when the Group receives a deposit before comprehensive architectural service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit received.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the comprehensive architectural services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional upon meeting the billing milestones.

For the year ended 31 December 2017

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2017 HK$'000
Sales of connectivity products	366,680
Provision of comprehensive architectural services	10,438
	377,118

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (CODM), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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 CODM:

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. OEM customers

2. Retail distributors

3. Provision of comprehensive architectural services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of administrative expenses, selling and distribution expenses, share of profit of a joint venture, other income, other loss, gain on disposal of property, plant and equipment and change in fair value of investment properties. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

	2018				2017			
	OEM customers	**Retail distributors**	**Provision of comprehensive architectural services**	**Total**	OEM customers	Retail distributors	Provision of comprehensive architectural services	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE								
– External sales	**226,602**	**117,388**	**44,780**	**388,770**	263,039	103,641	10,438	377,118
SEGMENT PROFIT	**41,296**	**11,683**	**13,482**	**66,461**	35,720	13,297	4,513	53,530
Unallocated expenses				**(44,471)**				(41,061)
Other income				**3,451**				4,348
Other loss				**(605)**				–
Gain on disposal of property, plant and equipment				**–**				11
Change in fair value of investment properties				**1,020**				2,470
Share of profit of a joint venture				**2,239**				384
Profit before taxation				**28,095**				19,682

6. SEGMENT INFORMATION *(Continued)*

	2018					2017				
	OEM customers	Retail distributors	Sub-total	Provision of comprehensive architectural services	Total	OEM customers	Retail distributors	Sub-total	Provision of comprehensive architectural services	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS										
SEGMENT ASSETS										
Trade receivables (Note)	34,664	33,523	68,187	4,028	72,215	55,520	17,532	73,052	378	73,430
Property, plant and equipment, prepaid lease payments and inventories (Note)			102,784	630	103,414			102,182	660	102,842
Total segment assets			170,971	4,658	175,629			175,234	1,038	176,272
Other unallocated assets			67,541	31,699	99,240			80,818	7,624	88,442
Total assets			238,512	36,357	274,869			256,052	8,662	264,714

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

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 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 of the OEM customers and retail distributors. In contrast, the Group's CODM 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	
	2018	2017
	HK$'000	*HK$'000*
Korea	**119,651**	159,553
Taiwan	**25,831**	50,231
Japan	**94,015**	74,623
USA	**82,046**	59,575
PRC	**47,201**	14,153
Others	**20,026**	18,983
	388,770	377,118

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
PRC	**63,966**	68,397
Hong Kong	**15,097**	14,072
Others	**414**	1,161
	79,477	83,630

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**112,957**	138,610
Customer B[2]	**54,134**	42,834
Customer C[2]	**–**	64,006

[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 GEM Listing Rules and the disclosure requirements of Hong Kong Companies Ordinance, is as follows:

Executive directors

	Mr. Wang Li Feng	Mr. Wong Chun	Mr. Pang Kuo-Shi	Mr. Kong Lixing	Mr. Dong[1] Jiangiang	Mr. Zhao Guo Xing	Mr. He Yongyi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018								
Fees	573	–	–	–	–	31	–	604
Other emoluments:								
Salaries and other benefits	–	2,314	2,449	–	–	–	–	4,763
Retirement benefit scheme contributions	–	18	15	–	–	–	–	33
	573	2,332	2,464	–	–	31	–	5,400

[1] resigned on 19 March 2018

	Mr. Wang Li Feng	Mr. Wong Chun	Mr. Pang Kuo-Shi	Mr. Kong Lixing	Mr. Dong[1] Jiangiang	Mr. Zhao Guo Xing	Mr. He Yongyi	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] resigned on 19 March 2018

The executive directors' emoluments shown above were 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[1] Ping Chun HK$'000	Mr. Lau Ho Kit, Ivan HK$'000	Dr. Hon. Lo Wai Kwok SBS, MH, JP HK$'000	Dr. Zhu Wenhui HK$'000	Total HK$'000
2018					
Fees	30	120	120	120	390
Other emoluments:					
Salaries and other benefits	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–
	30	120	120	120	390

[1] resigned on 28 March 2018

	Mr. Liu[1] Ping Chun HK$'000	Mr. Lau Ho Kit, Ivan HK$'000	Dr. Hon. Lo Wai Kwok SBS. MH, JP HK$'000	Dr. Zhu Wenhui HK$'000	Total 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] resigned on 28 March 2018

The independent non-executive directors' emoluments shown above were 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.

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

Employees

The five highest paid individuals of the Group during the year included, two (2017: two) directors, details of whose emoluments are included above. Details of the emoluments for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follow:

	Year ended 31.12.2018 *HK$'000*	Year ended 31.12.2017 *HK$'000*
Salaries and other benefits	**12,659**	3,177
Retirement benefit scheme contributions	**14**	51
	12,673	3,228

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

	2018 No. of employee	2017 No. of employee
Nil to HK$1,000,000	**–**	2
HK$1,500,000 to HK$2,000,000	**–**	1
HK$3,000,000 to HK$3,500,000	**1**	–
HK$4,500,000 to HK$5,000,000	**2**	–
	3	3

8. INCOME TAX EXPENSE

The amount mainly represents current tax expense on assessable profits arising in the PRC and overprovision of tax expenses of HK$1,470,000 (2017: nil) in previous years 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 are no assessable profits for both years.

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.

Certain subsidiaries which were accredited as “Cultural Innovation Enterprise” by the authorities, and were registered with the local tax authorities are 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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:

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation	**28,095**	19,682
Tax at the domestic income tax rate of 25%	**7,024**	4,921
Tax effect of share of result of joint venture	**(560)**	(96)
Tax effect of income not taxable for tax purpose	**(1,282)**	(1,390)
Tax effect of expenses not deductible for tax purpose	**624**	2,895
Tax effect of tax losses not recognised	**839**	–
Overprovision in respect of prior years	**(1,470)**	–
Utilisation of tax losses	**–**	(1,704)
Income tax at concessionary rate	**(1,062)**	(392)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(452)**	(1,315)
Tax expense for the year	**3,661**	2,919

At 31 December 2018, the Group has unused tax losses of HK$16,512,000 (2017: HK$13,155,000) available for offset against future profits. The tax losses are arising from Hong Kong subsidiaries which may be brought forward indefinitely.

9. PROFIT FOR THE YEAR

	2018 **HK$'000**	2017 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 7)	**5,790**	5,098
Other staff costs		
– Salaries and other benefits	**89,957**	75,518
– Retirement benefits scheme contributions	**7,121**	7,127
Total staff costs	**102,868**	87,743
Auditor's remuneration	**1,555**	1,156
Depreciation	**7,600**	6,715
Provision of allowance for credit losses/doubtful debts	**2,140**	41
Provision of allowance for inventories (included in cost of sales and services rendered)	**2,742**	211
Amortisation of prepaid lease payments	**228**	224
Cost of inventories recognised as expenses	**291,011**	317,663
Net foreign exchange gain	**(649)**	(915)
Interest income on bank deposits (included in other income)	**(281)**	(121)
Rental income (included in other income)	**(1,493)**	(1,463)
Write off deposit paid (included in other loss)	**605**	–
Minimum lease payments in respect of rented premises	**3,140**	1,828

10. DIVIDENDS

	2018 ***HK$'000***	2017 *HK$'000*
Dividends recognised as distribution during the year:		
2017 Final – HK1.5 cents (2017: 2016 final dividend of HK0.3 cents) per share	**9,600**	1,920

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK0.3 cents (2017: final dividend in respect of the year ended 31 December 2017 of HK1.5 cents) per ordinary share, in an aggregate amount of HK$1,920,000 (2017: HK$9,600,000) 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 owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company	24,456	17,004

	'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 HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2017	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
Exchange realignment	(2,671)	(452)	(156)	(227)	(3,664)	(154)	(7,324)
Additions	–	1,114	120	336	1,838	–	3,408
Disposals	–	(138)	(304)	–	–	–	(442)
At 31 December 2018	54,575	31,123	4,024	3,075	89,608	4,185	186,590
DEPRECIATION							
At 1 January 2017	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
Exchange realignment	(773)	(423)	(144)	(67)	(3,275)	(135)	(4,817)
Provided for the year	1,169	681	126	606	4,547	471	7,600
Eliminated on disposals	–	(138)	(304)	–	–	–	(442)
At 31 December 2018	15,698	29,388	3,759	1,862	80,205	3,912	134,824
CARRYING VALUES							
At 31 December 2018	38,877	1,735	265	1,213	9,403	273	51,766
At 31 December 2017	41,944	1,331	283	1,643	12,501	763	58,465

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:

	2018	2017
	HK$'000	*HK$'000*
Non-current asset	**7,498**	8,130
Current asset	**220**	232
	7,718	8,362

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 2017	11,490
Increase in fair value recognised in profit or loss	2,470
At 31 December 2017	13,960
Increase in fair value recognised in profit or loss	1,020
At 31 December 2018	14,980

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 2018 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.

The fair value was determined using direct comparison approach assuming sales of the properties in their respective existing status 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.

14. INVESTMENT PROPERTIES *(Continued)*

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$6,408 (2017: HK$6,284) to HK$7,006 (2017: 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$10,492 (2017: HK$9,352) to HK$11,398 (2017: 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 2018 and 2017 are as follows:

	Level 3	**Fair value as at 31/12/2018**
	HK$'000	*HK$'000*
Commercial property units located in Hong Kong	14,980	14,980

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

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

15. INTEREST IN A JOINT VENTURE

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

	2018	2017
	HK$'000	*HK$'000*
Cost of investment in a joint venture	**5**	5
Share of post-acquisition profit	**2,623**	384
	2,628	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 director 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 2018 and 2017 are set out as follow:

Name of entity	Place of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2018	2017	**2018**	2017	
PT & PL China	Hong Kong	Hong Kong	**51%**	51%	**50%**	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.

	31/12/2018	31/12/2017
	HK$'000	*HK$'000*
Current assets	**14,804**	8,069
Non-current assets	**664**	695
Current liabilities	**(10,315)**	(8,001)

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

The above amounts of assets include the following:

	At 31 December 2018	At 31 December 2017
	HK$'000	*HK$'000*
Cash and cash equivalents	**1,399**	181

	Year end 31/12/2018	Year end 31/12/2017
	HK$'000	*HK$'000*
Revenue	**37,302**	19,066
Profit and total comprehensive income for the year	**4,390**	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:

	2018	2017
	HK$'000	*HK$'000*
Net assets of PT & PL China	**5,153**	763
Proportion of the Group's ownership interest in PT & PL China	**51%**	51%
Carrying amount of the Group's interest in PT & PL China	**2,628**	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

	2018	2017
	HK$'000	*HK$'000*
Deposits paid for		
– land use rights	**–**	636
– property, plant and equipment	**1,445**	890
	1,445	1,526

18. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials and consumables	16,858	8,767
Work in progress	8,377	9,144
Finished goods	18,695	18,104
	43,930	36,015

During the current year, there are provision of allowance of HK$2,742,000 (2017: HK$211,000) has been recognised and included in cost of sales and services rendered.

19. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables		
– sale of connectivity products	69,920	73,052
– provision of comprehensive architectural services	4,476	419
	74,396	73,471
Less: Allowance for credit losses	(2,181)	(41)
	72,215	73,430
Refundable rental deposits paid	200	230
Prepayment	2,360	1,622
Value added tax receivables	3,237	3,136
Other receivables	2,513	3,838
Total trade and other receivables	80,525	82,256

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice dates at the end of the reporting period.

	Provision of comprehensive architectural services		Sale of connectivity products	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 30 days	**4,028**	378	**24,254**	24,895
31 – 120 days	**–**	–	**42,555**	48,141
121 – 180 days	**–**	–	**1,378**	16
	4,028	378	**68,187**	73,052

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

For the sales of connectivity products, the Group allows an average credit period ranging from 30 to 180 days to its trade customers.

As 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 is no trade receivables balance past due at the end of both reporting period.

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$41,000 which management considered that it is unlikely to be settled by the debtor. The Group does not hold any collateral over these receivables.

The movement in allowance for doubtful debts were as follows:

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 32.

20. CONTRACT ASSETS

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000 (Note)
Provision of comprehensive architectural services	5,630	973

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the comprehensive architectural services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer contract assets to trade receivables upon achieving the specified milestones in the contracts.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in note 32.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses to date	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)

22. BANK BALANCES AND CASH

Bank balances comprise short-term bank deposits with the original maturity of three months or less of HK$25,307,000 (2017: HK$9,142,000) at fixed interest rates ranging from 1.35% to 2.55% (2017: 0.01% to 5.00%) per annum and bank balances of HK$38,112,000 (2017: HK$46,946,000) at variable interest rates with effective interest rates ranging from 0.001% to 0.385% (2017: 0.001% to 0.385%) per annum and cash balances of HK$1,668,000 (2017: HK$5,520,000).

Details of impairment assessment of short-term bank deposits and bank balances for the year ended 31 December 2018 are set out in note 32.

23. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period 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 period:

	2018 ***HK$'000***	2017 *HK$'000*
Trade payables		
Within 30 days	**6,085**	17,838
31 – 90 days	**11,769**	38,566
91 – 150 days	**12,617**	15,395
Over 150 days	**25,248**	2,740
	55,719	74,539
Other payables		
Staff salaries and welfare payables	**32,070**	19,528
Deposits received from customers	**–**	8,982
Refundable rental deposits received	**35**	195
Value added tax payable and other tax payables	**1,487**	1,921
Accrued operating expenses	**11,868**	7,550
Others	**1,968**	5,859
	47,428	44,035
	103,147	118,574

24. CONTRACT LIABILITES

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000 (Note)
Sales of connectivity products	**4,342**	8,982
Provision of comprehensive architectural services	**8,428**	2,936
Total	**12,770**	11,918

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

The contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received considerations from the customers.

The contract liabilities at 1 January 2018 were fully recognised as revenue in the current year.

When the Group receives a deposit before the sales of connectivity products or comprehensive architectural services commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

25. AMOUNTS DUE TO DIRECTORS

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

26. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000	100,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	640,000	6,400

27. OPERATING LEASES

The Group as lessee

During the current year, minimum lease payments made under operating leases in respect of rented premises was HK$3,140,000 (2017: HK$1,828,000). 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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,916**	1,806
In the second to fifth year inclusive	**1,096**	1,209
	3,012	3,015

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$1,493,000 (2017: HK$1,463,000) before deduction of direct operating expenses of HK$8,000 (2017: HK$7,000).

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,252**	1,388
In the second to fifth year inclusive	**–**	70
	1,252	1,458

28. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**808**	495

29. 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 of the Company, 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.

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme and a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong and the 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$7,154,000 (2017: HK$7,160,000) represents contributions paid and payable to these schemes by the Group for the year.

31. 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.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018	2017
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**140,015**	–
Loans and receivables (including cash and cash equivalents)	**–**	139,106
Financial liabilities		
Amortised cost	**91,265**	101,594

(b) Financial risk management objectives and policies

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

32. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk

Currency risk

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

	2018 HK$'000	2017 HK$'000
Assets		
USD (note 1)	2,184	1,212
New Taiwan dollar ("NTD")	1,866	1,710
Renminbi ("RMB")	1,919	5,581
Liabilities		
NTD	1,392	1,797
RMB	4,323	7,142

Note 1: Functional currency of the respective subsidiaries is RMB/HK$. Since HK$ is pegged to US$ and immaterial monetary items denominated in USD against the functional currency of RMB, no sensitivity analysis is presented.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in USD against RMB and NTD. 5% (2017: 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% (2017: 5%) change in the foreign currency rates. A positive number (negative number) indicates an increase in profit (a decrease in profit) where RMB and NTD strengthens against the USD.

	Impact of RMB		Impact of NTD	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Impact on profit for the year	(120)	(78)	24	(4)

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.

32. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 22 for details) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see note 22 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 (2017: 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 (2017: 4) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately HK$11,000 (2017: post-tax profit would increase/decrease by approximately HK$14,000).

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.

(ii) Credit risk and impairment assessment

As at 31 December 2018, 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 the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group's credit risk is primarily attributable to its trade receivables and contract assets. 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 2018, the top five customers of the Group accounted for about 63.6% (2017: 76.1%) of the Group's trade receivables and contract assets, all of which are engaged in business of connectivity products with good reputation. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debt on a collective and on-going basis to ensure that adequate impairment losses 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.

32. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle the amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
				HK$'000	*HK$'000*
Financial assets at amortised cost					
Bank balances	22	Low risk	12-month ECL		65,087
Other receivables	19	Low risk	12-month ECL		2,713
Trade receivables -sales of connectivity products	19	Low risk	Lifetime ECL – not credit-impaired	66,884	
	19	Loss risk	Lifetime ECL – credit-impaired	3,036	
Trade receivables – provision of comprehensive architectural services	19	Watch list	Lifetime ECL – not credit-impaired	4,476	74,396
Other items					
Contract assets	20	Low risk	Lifetime ECL – not credit-impaired		5,630

The credit risk on trade receivables under sales of connectivity products is limited because the counterparties are with low loss rates which is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. During the year, provision of allowance of credit losses of HK$1,733,000 is recognised for the debtors with credit-impaired with gross carrying amount of HK$3,036,000 as at 31 December 2018.

Internal credit rating for trade receivables under provision of comprehensive architectural service is classified as watch list in which the management of the Group has determined the average loss rate as 10% in general. During the year, provision of allowance of credit losses of HK$407,000 is recognised for these debtors with lifetime ECL and not credit-impaired with gross carrying amount of HK$4,476,000 as at 31 December 2018.

32. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) ***Credit risk and impairment assessment*** *(Continued)*

The following table shows the movement in allowance for credit losses that has been recognised for trade receivables under the simplified approach.

Gross carrying amount

	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2017 and 1 January 2018	41	–	41
Allowance recognised in profit or loss	407	1,733	2,140
As at 31 December 2018	448	1,733	2,181

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The Group may take legal action against the debtors to recover the amount due.

32. 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 2018					
Non-interest bearing					
Trade and other payables	**40,159**	**11,769**	**37,864**	**89,792**	**89,792**
Amounts due to directors	**1,473**	**–**	**–**	**1,473**	**1,473**
	41,632	**11,769**	**37,864**	**91,265**	**91,265**
As at 31 December 2017					
Non-interest bearing					
Trade and other payables	43,420	38,566	18,135	100,121	100,121
Amounts due to directors	1,473	–	–	1,473	1,473
	44,893	38,566	18,135	101,594	101,594

(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.

33. RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 25, during the current year, the Group entered into the following transactions with related parties:

Name	Nature of transactions	**2018** **HK$'000**	2017 HK$'000
Glory Mark Electronic Limited ("GMEL") (note 1)	Rental paid by the Group	**155**	155
Billion Mass Limited ("Billion Mass") (note 1)	Rental paid by the Group	**1,200**	1,200
San Chen Company ("San Chen") (note 2)	Rental paid by the Group	**155**	155
Ms. Yu Lan (note 3)	Rental paid by the Group	**124**	124
PT Architecture Design (Shenzhen) Company Limited ("PT Shenzhen") (note 4)	Revenue earned by the Group	**4,667**	2,250
PT Shenzhen (note 4)	Cost of service rendered paid by the Group	**2,419**	634
PT Shenzhen (note 4)	Rental paid by the Group	**1,437**	–

Note 1: Mr. Pang Kuo-Shi and 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.

Note 3: Ms. Yu Lan is the spouse of Mr. Pang Kuo-Shi.

Note 4: Mr. Wang Li Feng, a director and/or a shareholder of the Company has an indirect equity interest of 27.6% in PT Shenzhen.

Details of the key management remuneration are set out in note 7.

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 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		
				2018	2017	2018	2017	
Asia-Link Technology Limited	Incorporated	British Virgin Islands/ Taiwan	US$50,000 Ordinary shares	-	–	100%	100%	Trading of connectivity products mainly for computers and peripheral products in the USA, investment holding
東莞輝煌電子有限公司 Dongguan Glory Mark Electronic Co., Ltd.	Wholly foreign-owned enterprise	PRC	HK$15,100,000 Paid up registered capital	-	-	100%	100%	Manufacture of connectivity products mainly for computers and peripheral products
Glory Mark Electronic Limited (Note a)	Incorporated	British Virgin Islands/ Taiwan	US$50,000 Ordinary shares	-	-	100%	100%	Trading of connectivity products mainly for computers and peripheral products in South East Asia
Glory Mark Electronic Limited	Incorporated	Samoa/Taiwan	US$50,000 Ordinary shares	-	-	100%	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands/ Hong Kong	US$400 Ordinary shares	100%	100%	-	–	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd.	Wholly foreign-owned enterprise	PRC	HK$35,360,200 Paid up registered capital	-	–	100%	100%	Manufacture of connectivity products mainly for computers and peripheral products
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$2,680,000 Paid up registered capital	-	–	100%	100%	Manufacture of connectivity products mainly for computers and peripheral products
PT Design International (Holdings) Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary shares	100%	100%	-	–	Investment holding
Pt Design (QH) Limited	Wholly foreign-owned enterprise	PRC	HK$2,000,000 Paid up registered capital	-	–	100%	100%	Provision of comprehensive architectural service
PT Design International	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	-	–	100%	100%	Investment holding and 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.

35. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2018 and 2017 are as follows:

	2018 *HK$'000*	2017 *HK$'000*
NON-CURRENT ASSETS		
Unlisted investment in subsidiaries	**34,432**	34,432
CURRENT ASSETS		
Other receivables	**287**	290
Amount due from a subsidiary	**–**	2
Bank balances and cash	**112**	1,097
	399	1,389
CURRENT LIABILITIES		
Other payables	**2,853**	3,525
Amounts due to subsidiaries	**19,590**	6,569
	22,443	10,094
NET CURRENT LIABILITIES	**(22,044)**	(8,705)
NET ASSETS	**12,388**	25,727
CAPITAL AND RESERVE		
Share capital (note 26)	**6,400**	6,400
Reserve	**5,988**	19,327
TOTAL EQUITY	**12,388**	25,727

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

Movement in the Company's reserve are as follows:

	Retained Profit	Total
	HK$'000	*HK$'000*
At January 2017	26,539	26,539
Loss and total comprehensive expense for the year	(5,292)	(5,292)
Dividends (note 10)	(1,920)	(1,920)
At 31 December 2017	19,327	19,327
Loss and total comprehensive expense for the year	(3,739)	(3,739)
Dividends (note 10)	(9,600)	(9,600)
At 31 December 2018	5,988	5,988

Financial Summary

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	301,914	296,497	324,670	377,118	**388,770**
Profit (loss) for the year	1,228	(17,463)	2,480	16,763	**24,434**
Profit (loss) for the year attributable to:					
Owners of the Company	1,395	(17,688)	2,953	17,004	**24,456**
Non-controlling interests	(167)	225	(473)	(241)	**(22)**
	1,228	(17,463)	2,480	16,763	**24,434**

	At 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	288,498	264,053	227,736	264,714	**274,869**
Total liabilities	(113,505)	(110,676)	(138,490)	(158,376)	**(154,389)**
Shareholders' funds	174,993	153,377	89,246	106,338	**120,480**
Shareholder's funds attributable to:					
Owners of the Company	174,042	152,201	88,543	105,876	**120,040**
Non-controlling interests	951	1,176	703	462	**440**
	174,993	153,377	89,246	106,338	**120,480**