

Annual Report 2002



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*This report, for which the directors of Glory Mark Hi-Tech (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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## CORPORATE INFORMATION

### Executive Directors

Pang Kuo-Shi (*Chairman*)  
Wong Chun (*Deputy Chairman and  
Chief Executive Officer*)  
Hsia Chieh-Wen  
Wong Ngok Chung

### Independent Non-executive Directors

Dr. Hon. Lui Ming Wah, *JP*  
Lau Ho Kit, Ivan

### Company Secretary

Wong Ngok Chung, *FCCA, AHKSA*

### Authorised Representative

Wong Chun  
Wong Ngok Chung

### Compliance Officer

Wong Ngok Chung

### Qualified Accountant

Wong Ngok Chung, *FCCA, AHKSA*

### Audit Committee

Lau Ho Kit, Ivan (*Chairman*)  
Dr. Hon. Lui Ming Wah, *JP*

### Registered Office

Century Yard, Cricket Square,  
Hutchins Drive, P.O. Box 2681GT,  
George Town, Grand Cayman,  
British West Indies

### Head office and principal place of business

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

### Principal registrar and transfer office

Bank of Butterfield International  
(Cayman) Ltd.  
Butterfield House  
68 Fort Street  
P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### Hong Kong share registrars and transfer office

Hong Kong Registrars Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Banker

Standard Chartered Bank  
Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

### Sponsor

Kingston Corporate Finance Limited  
Suite 2801, 28th Floor,  
One International Finance Centre,  
1 Harbour View Street,  
Central, Hong Kong

### Auditors

Deloitte Touche Tohmatsu  
Certified Public Accountants  
26th Floor, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

**Stock Code: 8159**

## **CHAIRMAN'S STATEMENT**

To Our Shareholders,

On behalf of the Board of Directors, I have the pleasure to present the annual report of Glory Mark Hi-Tech (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2002.

### **FINANCIAL PERFORMANCE**

The Group faced a challenging year after its listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 4 January 2002. The global economy slowed down and competition increased. Despite of the difficult environment, the Group managed to record a consolidated turnover and gross profit of HK\$145.9 million and HK\$37.9 million respectively in 2002, up 22.6% and 25.4% respectively from 2001. The increase in turnover and gross profit is a result of the marketing efforts made by the Taiwan Branch to strengthen the relationships with valuable customers and to expand higher margin product sales.

During the year, sales to OEM customers and retail distributors increased by approximately 27.1% and 12.0% respectively. In terms of geographical region, sales to Taiwan, United States of America, Japan and Korea, the Group's major markets, increased by approximately 27.4%, 20.1%, 13.4% and 8.5% respectively and accounted for 43.9%, 22.8%, 18.7% and 10.0% respectively of the Group's turnover.

Net profit was HK\$13.5 million as compared to HK\$18.6 million of previous year. The decrease was mainly due to the increase in administrative expenses. In order to rationalise the Group structure and strengthen its marketing, material procurement and research and development capabilities, the Group established Taiwan Branch in the second half of 2001. The administrative expenses of Taiwan Branch in 2002 were approximately HK\$7,128,000 (2001: HK\$2,661,000). In August 2001, the executive directors entered service contracts with the Group. The directors' remuneration of the Group in 2002 was approximately HK\$4,531,000 (2001: HK\$2,183,000).

### **DIVIDEND**

The directors have recommended a final dividend of HK1.3 cents per share (2001: HK0.8 cents per share). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on 21 May 2003 to shareholders whose names appear on the register of members of the Company on 9 May 2003.

## CHAIRMAN'S STATEMENT

### REVIEW

Facing the challenges of 2002, the Group made steady, measurable progress against our strategies and objectives.

- Re-allocate our resources to provide the best services to valuable customers. The total turnover to the top 5 customers in 2002 increased by 21.8% as compared to previous year.
- Strengthen the capabilities of research and development. The Group had 47 engineers/technicians in the research and development department as at 31 December 2002.
- Enhanced operational efficiencies by streamlining the management system and providing the on-the-job training.
- Established a reliable source of electronics components supply by a strategic investment in subsidiary of a leading PRC electronics component manufacturer. This synergy investment will benefit the Group to its developing electronics business.

### PROSPECT

Anticipating to the future, I am optimistic to the business of the Group. The competent marketing team of Taiwan Branch will continue its efforts to strengthen the relationships with valuable customers and solicit valuable new customers. In the first quarter of 2003, the Group is succeeded in exploring a new Korean and a PRC customer, which are estimated to have considerable contributions as to the Group's turnover.

In 2002, a wholly owned subsidiary of the Group was appointed as an agent by a Taiwan company to develop certain designated PRC markets. The Taiwan company is principally engaged in development and manufacture of computer and communication products. The Group will obtain benefit from this agency arrangement by both earning commission income and achieving an opportunity to enter into the PRC market for its core cable business. Meanwhile, a coloured TFT mobile handset developed by the Taiwan company is at market and production testing stage. At present, we are unable to estimate the significance of commission income that will be generated. If the Directors believe that such commission income becomes significant, the Directors will issue a separate announcement to our shareholders at once.

## **CHAIRMAN'S STATEMENT**

### **CONCLUSION**

I would like to take this opportunity to extend our gratitude to our customers, shareholders and business partners for their continuous support. I would also like to extend my utmost gratitude to all our staff for their honour, endeavour and contributions in the past.

**Pang Kuo-Shi**  
*Chairman*

Hong Kong, 24 March 2003

## MANAGEMENT DISCUSSION AND ANALYSIS

### TURNOVER AND PROFIT

With the ongoing marketing efforts made by the Taiwan branch, the turnover of the Group reported HK\$145.9 million, increased by 22.6% as compared to HK\$119.1 million of 2001. The gross profit margin increased to HK\$37.9 million, representing an increase of 25.4% as compared to 2001. The net profit decreased to HK\$13.5 million, which is due to the increase of administrative costs after the listing of the Group.

Sales analysis by OEM customers and retail distributors:—

	2002		2001	
	<i>HK\$million</i>	%	<i>HK\$million</i>	%
Sales to OEM customers	105.7	72.4%	83.2	69.8%
Sales to retail distributors	40.2	27.6%	35.9	30.2%
	145.9	100.0%	119.1	100.0%

The increase in sales to retail distributors in 2002 was mainly attributed by the strengthening of the relationships with a Taiwan and an United States OEM customer.

Sales analysis by geographical region:—

	2002		2001	
	<i>HK\$million</i>	%	<i>HK\$million</i>	%
Taiwan	64.1	43.9%	50.3	42.2%
United States of America	33.3	22.8%	27.8	23.3%
Japan	27.2	18.7%	24.0	20.2%
Korea	14.6	10.0%	13.4	11.3%
Others	6.7	4.6%	3.6	3.0%
	145.9	100.0%	119.1	100.0%



## MANAGEMENT DISCUSSION AND ANALYSIS

Sales to all regions increased during the year. The increase in sales to Taiwan and United States of America were especially encouraging. It was due to the strengthening of relationship with a Taiwan and an United States OEM customer.

Sales analysis by product category:—

	2002		2001	
	<i>HK\$million</i>	%	<i>HK\$million</i>	%
Monitor cables	64.8	44.4%	49.8	41.8%
Conventional I/O cables	46.1	31.6%	44.8	37.6%
Multi-functional/high speed transmission connectivity products	35.0	24.0%	24.5	20.6%
	<b>145.9</b>	<b>100.0%</b>	<b>119.1</b>	<b>100.0%</b>

### YEAR IN REVIEW

#### Liquidity and Financial Resources

The financial position of the Group is strong. As at 31 December 2002, the Group has cash in hand of approximately HK\$43.2 million. Most of the cash were placed at short-term deposits in United States Dollars with reputable banks of Hong Kong. The Group did not have any bank borrowings as at 31 December 2002.

To strengthen the financial position of the Group as well as coping with its future development, the Group arranged a banking facility of HK\$15 million with a bank of Hong Kong at the early of 2003. The Directors believe that the cash in hand together with the new banking facility are sufficient for the coming year.

#### Production Capacity and Capability

To cope with the anticipated increase in demand of the Group's products and its development plan, the Group is liaising to purchase a land of 38,000 square metre with quarter premises at Tangxia Town, where is nearby the existing production factory of the Group. If the purchase is smooth, the new factory will be put into production in early 2004. If the purchase is unsuccessful, the Group will acquire another land from Tangxia Government and develop the new factory at once.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Product Development

The Group has developed the following products during the year.

- Card readers with hub.
- USB2.0 4 port mini hub.
- 6 in 1 card readers.
- USB 2.0 PCI card

### Research and Development Capabilities

It is an ongoing strategy of the Group to focus on our research and development capabilities, as it is critical in maintaining the Group's competitive edge in the market. The Group had 47 engineers/technicians in the research and development department as at 31 December 2002.

### Sales and Marketing

It is an ongoing strategy of the Group to provide full technical support and offer high-quality products for retaining valuable customers. By adopting this strategy, the Group succeeded in strengthening its relationships with the valuable customers. The sales to the top 5 customers in 2002 increased by 21.8% as compared to 2001.

The Group also focused its marketing efforts to exploit new valuable customers.

### Material Investment and Capital Assets

The Group had invested and held 30% equity interests in an associate for a consideration of approximately HK\$588,000 during the year. Other than the event mentioned above, no significant investments or material acquisitions of subsidiaries and associates, which have significant impact on financial results of the Group, were made in the year ended 31 December 2002.

### Employees

As at 31 December 2002, the Group had 1,401 (2001: 1,369) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2002 was approximately HK\$19.6 million (2001: HK\$14.2 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which is reviewed annually. The Company had granted options to its employees prior to its listing, details of which can be referred to the prospectus issued by the Company dated 18 December 2001.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Currency Risk

The Group's purchases were made in NT\$, US\$, HK\$ and RMB which represented approximately 75.6%, 8.0%, 12.6% and 3.8% respectively for the year ended 31 December 2002 (2001: 77.7%, 7.2%, 12.3% and 2.8% respectively). The Group has not made any arrangement to hedge the Group's exchange rate risks in both 2001 and 2002.

Most of the Group's cash on hand as at 31 December 2002 were US Dollars and Hong Kong Dollars.

### PROSPECT

In September 2002, the Group invested in a Hong Kong subsidiary ("Associate") of a leading PRC electronics component manufacturer and held 30% equity interest of the Associate. The PRC electronics component manufacturer is principally engaged in manufacture and sale of precision electronics components. The Associate is principally engaged in trading of the electronics components manufactured by the PRC manufacturer in Hong Kong and overseas markets. The Directors believe that this synergy investment will be beneficial to the developing electronics business of the Group by establishing a reliable and cost-competitive electronics component supply.

During the year of 2002, a wholly owned subsidiary of the Company was appointed as an agent to develop certain designated PRC markets for a Taiwan company which is principally engaged in development and manufacture of computer and communication products. The Taiwan company is an independent third party. None of the Directors, chief executive officer, principal management shareholders or their associates of the Company, its subsidiary and associate had any personal, family, corporate or other interests in the shares of the Taiwan company or its associated corporations. Other than commission income, this agency arrangement is considered as an important stepping-stone for the Group to develop the market in the PRC for its core cable business. Meanwhile a coloured TFT mobile handset developed by the Taiwan company is at market and production testing stage. At present, the Group is unable to estimate the magnitude of commission income that will be generated. If the Directors believe that such commission income becomes significant, the Directors will issue a separate announcement to our shareholders at once.

Looking ahead, the Directors are optimistic to its business. In the first quarter of 2003, the Group is succeeded in exploring a new Korean customer, which is estimated to contribute a double-digit percentage growth in the Group's turnover. Besides, the Group had also succeeded in obtaining orders from a new PRC customer.

The Group will continue to make use of its network relationships in Taiwan, Hong Kong and the PRC to explore new business opportunities.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

Mr. Pang Kuo-Shi also known as Steve Pang (龐國璽) aged 45, is one of the founders of the Group, Mr. Pang is the Chairman of the Company and is responsible for the Group's overall strategic planning, business development, sales and marketing. He has over 21 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 鴻海精密工業股份有限公司 ("Hon-Hai Precision Industrial Company Limited"), one of the leading cable assembly and connector manufacturers in Taiwan. Mr. Pang graduated with a diploma in industrial engineering from 台灣新埔工業專科學校 (Hsinpu Junior College of Technology in Taiwan) in 1978.

Mr. Wong Chun, (黃震) aged 43, is 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. Mr. Wong 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 19 years of experience in the electronic and computer peripherals sector. In addition, Mr. Wong was appointed as the regional advisory councilor for International Bank of Asia Limited in 2000 and 2003. Mr. Wong has been elected as the deputy chairman of Dongguan City Tangxia Commerce Association since 1998.

Mr. Hsia Chieh-Wen, also known as Paul Hsia (夏傑文), aged 41, is an executive Director and is primarily responsible for the Group's product development, quality control and production management. Mr. Hsia graduated with a diploma in mechanical engineering from 台灣龍華工業專科學校 (Lung Hua Technical College in Taiwan) in 1982. Mr. Hsia has over 15 years of experience in the cable assembly and connector industry. Prior to joining the Group in September 1993, Mr. Hsia worked as an engineer for 鴻海精密工業股份有限公司 ("Hon-Hai Precision Industrial Company Limited"), one of the leading cable assembly and connector manufacturers in Taiwan.

Mr. Wong Ngok Chung (黃岳松), aged 50, is an executive Director and chief financial officer of the Company and is primarily responsible for the Group's financial management and legal affairs. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Wong has over 21 years of experience in finance, accounting and business management. Mr. Wong joined the Group in May 2000.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **Independent non-executive Directors**

Dr. Hon. Lui Ming Wah (呂明華), JP, Ph.D., aged 64, is an established industrialist serving as the Honorary Chairman of the Hong Kong Electronic Industries Association and Executive Committee Member of The Chinese Manufacturers Association, Chairman of Hong Kong Shandong Business Association, Member of The Advisory Council of The Hong Kong International Arbitration Center, Member of The Trade and Industry Advisory Board of the HKSAR Government, Council Member of The Mandatory Provident Fund Schemes Authority, Member of ITF Electronics Project Vetting Committee, Member of Election Committee of the HKSAR. He was elected to the Legislative Council in 1998 and 2000. He obtained his Master and Ph.D. degrees from The University of New South Wales in Australia and The University of Saskatchewan in Canada respectively. He is currently the director of Keystone Electronics Co Ltd. Dr. Lui was appointed as an independent non-executive Director in December 2001.

Mr. Lau Ho Kit, Ivan (劉可傑), aged 44, 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 Stock Exchange. Mr. Lau graduated from the Hong Kong Polytechnic University with a Master's degree in professional accounting. Mr. Lau is a member of the Hong Kong Society of Accountants, and the Association of Chartered Certified Accountants. Mr. Lau became an independent non-executive Director in December 2001.

### **Senior Management**

Mr. Chui Wing Kit (徐永傑), aged 45, 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. Liu Chih-Hua (劉治華), aged 49, is the deputy general manager of the Group's Marketing Department, and is responsible for the Group's sales and marketing. Mr. Liu has over 14 years of experience in the sales and marketing field. Prior to joining the Group in February 2000, Mr. Liu has worked as marketing manager in various private companies in Taiwan, relating to computer cables and connectors manufacture.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Ching-Chang (陳慶章), aged 41, 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 17 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.

Miss Yeh Chiao-Lan also known as Yeh Carinna (葉嬌蘭), aged 39, is the business development assistant manager of the Group and is responsible for the sales and marketing in Europe. Miss Yeh obtained a bachelor's degree in Teaching from Charles Sturt University in Australia in 1996. Miss Yeh has over five years of experience in sales management and joined the Group in November 1999.

Dr. Wei-I Lee (李威儀), aged 44, 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 國立交通大學 (The National Communication University) 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.

## BUSINESS OBJECTIVES AND BUSINESS PROGRESS COMPARISON

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER

For the year ended 31 December, 2002, the Group has invested approximately HK\$4.3 million for the following business objectives.

- Approximately HK\$3.1 million was used for expansion of production capacity and capability
- Approximately HK\$0.5 million was used for research and development
- Approximately HK\$0.7 million was used for sales and marketing

### COMPARISON OF THE BUSINESS OBJECTIVES LISTED IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

#### Business Objectives as stated in the Prospectus

#### Actual Business Progress for the year ended 31 December 2002

- |                                      |   |
|--------------------------------------|---|
| — Production capability and capacity | 1 Increase of new equipments, air-conditioners and factory decorations amounted to HK\$2,534,851 approximately.                                       |
|                                      | 2 Balance paid for purchase of an automated testing equipment for IEEE-1394, DVI, USB 2.0 products amounted to 538,722 approximately.                 |
| — Research and development           | 1 Increase of new equipments for research & development amounted to HK\$544,330 approximately.  |
| — Sales & marketing                  | 1 Participated in computer-related trade fairs in different countries such as Germany, Japan, USA and Taiwan for amounting HK\$400,769 approximately. |
|                                      | 2 Promoted the corporate image of the Group through selected media channels for amounting HK\$295,871 approximately.                                  |

The Group did not have any plan to alter the application of proceeds from the initial public offer.

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 28 and 16 to the financial statements, respectively.

### **MAJOR SUPPLIERS AND CUSTOMERS**

The largest and the top five suppliers of the Group accounted for about 23.9% and 47.8% respectively of the Group's total purchases for the year.

C & C Technic Taiwan Co., Ltd. ("C & C") is one of the top five suppliers of the Group. Mr. Pang's wife holds 11.67% interest in C & C.

The largest and the top five customers of the Group accounted for about 23.8% and 67.2% respectively of the Group's total turnover for the year.

Save as disclosed above, at no time during the year did any director, any associate of a director, or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's share capital, have any beneficial interests in 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 income statement on page 22.

The directors now recommend the payment of a final dividend of HK1.3 cents per share to the shareholders on the register of members on 9 May 2003, amounting to HK\$4,160,000.

### **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

The Group continued its plant replacement policy and invested approximately HK\$5,808,000 on new property, plant and equipment during the year.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.



## **DIRECTORS' REPORT**

### **RESERVES**

Details of movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 25 and in note 22 to the financial statements respectively.

### **DIRECTORS**

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

#### **Executive directors:**

Mr. Pang Kuo-Shi

Mr. Wong Chun

Mr. Hsia Chieh-Wen

Mr. Wong Ngok Chung

#### **Independent non-executive directors:**

Dr. Hon. Lui Ming Wah, *JP*

Mr. Lau Ho Kit, Ivan

In accordance with Article 87 of the Company's Articles of Association, Mr. Wong Ngok Chung shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Each of the executive directors has entered into service agreement dated 13 December 2001 with the Company for an initial term of three years commencing from 1 August 2001, which shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other.

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

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Pang Kuo-Shi ("Mr. Pang")	—	139,808,000 ( <i>Note</i> )	—	—
Mr. Wong Chun ("Mr. Wong")	58,272,000	—	—	—
Mr. Hsia Chieh-Wen ("Mr. Hsia")	34,944,000	—	—	—

*Note:* Modern Wealth Assets Limited held the 139,808,000 shares. Modern Wealth Assets Limited is a wholly-owned subsidiary of True Profit Management Limited, which in turn is a wholly-owned subsidiary of HSBC International Trustee Limited, the trustee of a discretionary trust, the Pang's Family Trust. Mr. Pang's wife is the discretionary object of the Pang's Family Trust.

Other than as disclosed above, none of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations.

## DIRECTORS' REPORT

### SHARE OPTION SCHEMES

At 31 December 2002, the number of shares in respect of which options had been granted under the Pre-IPO share option scheme was 32,000,000, representing 10% of the shares of the Company in issue at that date. Details of these share options which were granted on 13 December 2001 with an exercise price of HK\$0.30 each are as follows:

Directors/employees	Number of shares to be issued upon exercise of the options	Outstanding at 1.1.2002 and 31.12.2002	Cumulative number of shares to be issued upon exercise of the options and their exercisable period
<b>Director:</b>			
Mr. Pang	8,000,000	8,000,000	2,400,000 13.12.2002 — 12.12.2006
			4,800,000 13.12.2003 — 12.12.2006
			8,000,000 13.12.2004 — 12.12.2006
Mr. Wong	6,000,000	6,000,000	1,800,000 13.12.2002 — 12.12.2006
			3,600,000 13.12.2003 — 12.12.2006
			6,000,000 13.12.2004 — 12.12.2006
Mr. Hsia	3,000,000	3,000,000	900,000 13.12.2002 — 12.12.2006
			1,800,000 13.12.2003 — 12.12.2006
			3,000,000 13.12.2004 — 12.12.2006
Mr. Wong Ngok Chung	3,000,000	3,000,000	900,000 13.12.2002 — 12.12.2006
			1,800,000 13.12.2003 — 12.12.2006
			3,000,000 13.12.2004 — 12.12.2006
Employees	12,000,000	12,000,000	3,600,000 13.12.2002 — 12.12.2006
			7,200,000 13.12.2003 — 12.12.2006
			12,000,000 13.12.2004 — 12.12.2006
	32,000,000	32,000,000	

No share options were granted or exercised during the year.

Particulars of the Company's share option schemes are set out in note 25 to the financial statements.

## **DIRECTORS' REPORT**

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than as disclosed above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 27 to the financial statements:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules"); and
- (ii) no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

### **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed under the section headed "Directors' Interests in Shares" above, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that no person as having an interest of 10% or more in the issued share capital of the Company as at 31 December 2002.

### **PRE-EMPTIVE RIGHTS**

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

## **DIRECTORS' REPORT**

### **SPONSOR'S INTERESTS**

As at 31 December 2002, neither Kingston Corporate Finance Limited (the "Sponsor"), or its directors, employees or associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

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

At the annual general meeting of the Company held on 9 May 2002, an ordinary resolution was passed to grant a general mandate to the directors of the Company to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the company.

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

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 December 2002 with the corporate governance matters as set out in rules 5.28 to 5.39 of Chapter 5 of the GEM Listing Rules.

### **AUDIT COMMITTEE**

The audit committee comprises two members — Dr. Hon. Lui Ming Wah, JP and Mr. Lau Ho Kit, Ivan, both of whom 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 financial report dated 24 March 2003.
- (2) reviewed and commented on the Group's internal controls.
- (3) met with the external auditors and participated in the reappointment and assessment of the performance of the external auditors.

### **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Pang Kuo-Shi**  
*Chairman*

24 March 2003

## AUDITORS' REPORT

### 德勤 • 關黃陳方會計師行

**Certified Public Accountants**  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

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

We have audited the financial statements on pages 22 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

24 March 2003

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	4	145,917	119,062
Cost of sales		(108,028)	(88,846)
Gross profit		37,889	30,216
Other operating income	6	1,819	3,108
Selling and distribution expenses		(4,260)	(2,730)
Administrative expenses		(21,737)	(11,205)
Profit from operations	7	13,711	19,389
Finance costs	9	(1)	(1)
Share of result of an associate		714	—
Profit before taxation		14,424	19,388
Taxation	10	(954)	(816)
Profit for the year		13,470	18,572
Dividends	11		
Paid		—	5,000
Proposed		4,160	2,560
Earnings per share	12		
Basic		HK4.21 cents	HK7.71 cents
Diluted		N/A	HK7.69 cents

## CONSOLIDATED BALANCE SHEET

At 31 December 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>13</i>	17,511	14,838
Investment properties	<i>14</i>	780	780
Interest in an associate	<i>16</i>	1,302	—
		<b>19,593</b>	<b>15,618</b>
<b>CURRENT ASSETS</b>			
Inventories	<i>17</i>	5,845	6,555
Trade and other receivables	<i>18</i>	46,342	65,297
Taxation recoverable		7	122
Bank balances and cash		43,172	18,283
		<b>95,366</b>	<b>90,257</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>19</i>	41,645	40,060
Amounts due to related companies	<i>20</i>	606	1,146
Amounts due to directors	<i>20</i>	338	4,156
Taxation payable		3,580	2,633
		<b>46,169</b>	<b>47,995</b>
<b>NET CURRENT ASSETS</b>			
		<b>49,197</b>	<b>42,262</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>21</i>	32,000	32,000
Reserves		36,790	25,880
		<b>68,790</b>	<b>57,880</b>

The financial statements on pages 22 to 51 were approved and authorised for issue by the Board of Directors on 24 March 2003 and are signed on its behalf by:

Pang Kuo-Shi  
*Director*

Wong Chun  
*Director*



## BALANCE SHEET

At 31 December 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<b>NON-CURRENT ASSET</b>			
Investments in subsidiaries	<i>15</i>	34,045	34,045
<b>CURRENT ASSETS</b>			
Other receivables		35	26,206
Amounts due from subsidiaries		35,114	60
Taxation recoverable		7	—
Bank balances		92	7,008
		35,248	33,274
<b>CURRENT LIABILITIES</b>			
Other payables		288	5,510
Amount due to a subsidiary		4,924	4,001
		5,212	9,511
<b>NET CURRENT ASSETS</b>			
		30,036	23,763
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>21</i>	32,000	32,000
Reserves	<i>22</i>	32,081	25,808
		64,081	57,808

Pang Kuo-Shi  
*Director*

Wong Chun  
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2002

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	—	—	—	—	19,724	19,724
Allotted and issued as nil paid on incorporation	—	—	—	—	—	—
Credited as fully paid from contributed surplus	100	—	—	—	—	100
Issue of shares upon the Group Reorganisation	100	—	—	—	—	100
Proceeds from issue of shares through initial public offering	8,000	26,400	—	—	—	34,400
Merger reserve arising on the Group Reorganisation	—	—	680	—	—	680
Capitalisation of share premium for issue of shares	23,800	(23,800)	—	—	—	—
Share issue expenses	—	(2,600)	—	—	(8,083)	(10,683)
Exchange loss on translation of overseas operations not recognised in the income statement	—	—	—	(13)	—	(13)
Profit for the year	—	—	—	—	18,572	18,572
Dividend	—	—	—	—	(5,000)	(5,000)
At 31 December 2001	32,000	—	680	(13)	25,213	57,880
Profit for the year	—	—	—	—	13,470	13,470
Dividend	—	—	—	—	(2,560)	(2,560)
At 31 December 2002	32,000	—	680	(13)	36,123	68,790

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.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	2002 HK\$'000	2001 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit from operations	13,711	19,389
Adjustments for:		
Interest income	(489)	(337)
Depreciation and amortisation	3,028	2,556
Revaluation deficit of investment properties	—	187
Loss on disposal of property, plant and equipment	1	—
Operating cash flows before movements in working capital	16,251	21,795
Decrease (increase) in inventories	710	(355)
Decrease (increase) in trade and other receivables	18,955	(34,087)
Decrease in amount due from a related company	—	338
Increase in trade and other payables	1,585	9,267
(Decrease) increase in amounts due to related companies	(540)	614
Cash generated from (used in) operations	36,961	(2,428)
Hong Kong Profits Tax refunded (paid)	108	(127)
Interest received	489	337
Interest paid	(1)	(1)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>37,557</b>	<b>(2,219)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of property, plant and equipment	106	—
Purchase of property, plant and equipment	(5,808)	(2,906)
Acquisition of investment in an associate	(588)	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,290)</b>	<b>(2,906)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(2,560)	(15,000)
Issue of ordinary shares	—	34,400
Share issue expenses	—	(10,683)
Advance by directors	—	5,000
Repayment of amounts due to directors	(3,818)	(6,245)
Repayment of amount due to a shareholder	—	(1,566)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<b>(6,378)</b>	<b>5,906</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>24,889</b>	<b>781</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>18,283</b>	<b>17,515</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>—</b>	<b>(13)</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>43,172</b>	<b>18,283</b>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	43,172	18,283

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 1. GENERAL

The Company was incorporated in the Cayman Islands on 13 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 28.

Pursuant to a corporate reorganisation (the "Group Reorganisation") in 2001 to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 13 December 2001. Details of the Group Reorganisation were set out in the prospectus dated 18 December 2001 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 4 January 2002.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised SSAPs. The adoption of these SSAPs has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

#### Presentation of financial statements

The adoption of SSAP 1 (Revised) "Presentation of Financial Statements" has resulted in a change in the format of presentation of the statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

#### Foreign currency translation

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings-operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

#### Employee benefits

SSAP 34 "Employee Benefits" introduces measurement rules and additional disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements except for additional disclosures.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition result of its associate for the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of the net assets of the associate less any identified impairment loss.

#### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service fee income is recognised when services are provided.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the assets, other than land and buildings, over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture and fixtures	20% - 33%
Office equipment	20% - 25%
Computer equipment	20%
Plant and machinery	14% - 20%
Motor vehicles	17% - 20%

Buildings are depreciated over the terms of the relevant leases. Land use rights are amortised over the lease term of the land.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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 as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged. On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation or amortisation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Research and development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

#### **Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

#### Operating leases

Leases where substantially all the risks and rewards of ownership remains with the leasing companies are accounted for as operating leases.

Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

#### Retirement benefit costs

Payments to the defined contribution retirement benefit plan, stated-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

### 4. TURNOVER

Turnover represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly for computers and peripheral products during the year.

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### *Business segments*

The Group is currently engaged in providing its products to two classes of customers, namely, original equipment manufacturer ("OEM") customers and retail distributors. The directors of the Company regard these segments as the primary source of the Group's risks and returns.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment information about these businesses is presented as follows:

	2002			2001		
	OEM	Retail	Total	OEM	Retail	Total
	customers	distributors		customers	distributors	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OPERATING RESULTS						
TURNOVER	105,691	40,226	145,917	83,156	35,906	119,062
RESULTS	29,163	8,726	37,889	20,712	9,504	30,216
Unallocated income and expenses			(24,178)			(10,827)
Profit from operations			13,711			19,389
Finance costs			(1)			(1)
Share of result of an associate			714			—
Profit before taxation			14,424			19,388
Taxation			(954)			(816)
Profit for the year			13,470			18,572
ASSETS AND LIABILITIES						
ASSETS						
Trade receivables (Note)	40,156	4,535	44,691	31,825	5,536	37,361
Unallocated assets			70,268			68,514
Total assets			114,959			105,875
LIABILITIES						
Unallocated total liabilities			46,169			47,995

*Note:* The nature of products, the production processes and the methods used to distribute the products to these two classes of customers are similar. The Group's production facilities are located in the People's Republic of China ("PRC"). These two classes of customers utilise the Group's resources in a similar manner. Accordingly, the only separable assets are trade receivables for these customers.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

The Group's customers are mainly located in Taiwan, United States of America, Japan and Korea. The following table provides an analysis of the Group's turnover by geographical location of the Group's customers:

	2002 HK\$'000	2001 HK\$'000
Taiwan	64,092	50,305
United States of America	33,346	27,759
Japan	27,235	24,023
Korea	14,574	13,432
Hong Kong	1,813	2,056
Others	4,857	1,487
	145,917	119,062

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	39,965	44,548	534	118
Taiwan	37,291	26,210	1,368	256
The PRC, other than Hong Kong	22,327	21,692	3,906	2,532
United States of America	9,456	8,168	—	—
Japan	2,850	2,183	—	—
Korea	1,677	1,426	—	—
Others	1,386	1,526	—	—
	114,952	105,753	5,808	2,906

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 6. OTHER OPERATING INCOME

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Handling fee income	196	565
Exchange gain	23	956
Interest income	489	337
Rental income	143	153
Subcontracting fee	114	290
Others	854	807
	<hr/> 1,819	<hr/> 3,108

### 7. PROFIT FROM OPERATIONS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note 8</i> )	4,531	2,183
Other staff costs		
Research and development	1,852	363
Others	17,562	13,784
Retirement benefit scheme contributions	140	78
	<hr/> 24,085	<hr/> 16,408
Total staff costs		
Auditors' remuneration	560	413
Depreciation and amortisation	3,028	2,556
Inventories written off	122	390
Loss on disposal of property, plant and equipment	1	—
Research and development service fees paid to a related party	—	274
Revaluation deficit of investment properties	—	187
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Directors</b>		
Fees	120	100
Other emoluments		
Salaries and other benefits	4,387	2,073
Retirement benefit scheme contributions	24	10
	<hr/> 4,531	<hr/> 2,183
<b>Analysed into:</b>		
Director A	1,420	790
Director B	1,625	646
Director C	867	455
Director D	499	192
Director E	—	50
Director F	120	50
	<hr/> 4,531	<hr/> 2,183

The amounts disclosed above include directors' fees of HK\$120,000 (2001: HK\$100,000) payable to independent non-executive directors.

During the 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

#### Employees

Of the five highest paid individuals of the Group, four (2001: four) were directors of the Company whose emoluments are included above. The emoluments of the remaining one (2001: one) individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	555	336
Retirement benefit scheme contributions	12	12
	567	348

### 9. FINANCE COSTS

Finance costs represent interest on bank overdraft.

### 10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in prior year	7	13
PRC enterprise income tax	947	803
	954	816

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit in Hong Kong in both years.

PRC enterprise income tax is calculated at the rates prevailing.

No provision for deferred taxation has been made in the financial statements as there were no material timing differences arising during the year or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 11. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Dividend paid by a subsidiary to its then shareholders prior to the Group Reorganisation	—	5,000
Final dividend proposed of HK1.3 cents (2001: HK0.8 cents) per share	4,160	2,560

The final dividend of HK1.3 cents per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

### 12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the years referred to in this report is based on the net profit for each of the two years ended 31 December 2002 and on 320,000,000 shares in issue (2001: on the weighted average number of shares of 240,877,000 shares in issue on the assumption that the Group Reorganisation was effective on 1 January 2001).

The calculation of the basic and diluted earnings per share is based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	13,470	18,572
Weighted average number of ordinary shares for the purposes of basic earnings per share	320,000,000	240,877,000
Effect of dilutive potential ordinary shares: Share options	—	504,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	320,000,000	241,381,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 12. EARNINGS PER SHARE (Continued)

Since the Company's shares were listed on 4 January 2002, the subscription price for the Company's shares of HK\$0.43 per share is adopted for the calculation of dilutive effect of share options for the year ended 31 December 2001.

No dilutive earnings per share has been presented for the year ended 31 December 2002 because the exercise price of the Company's share options was higher than the average market price for shares for the year.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK\$'000	Buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>COST</b>								
At 1 January 2002	1,000	9,649	2,888	1,437	443	12,894	860	29,171
Additions	—	—	63	277	—	4,202	1,266	5,808
Disposals	—	—	—	(26)	—	—	(269)	(295)
At 31 December 2002	1,000	9,649	2,951	1,688	443	17,096	1,857	34,684
<b>DEPRECIATION AND AMORTISATION</b>								
At 1 January 2002	140	1,124	1,078	975	420	10,093	503	14,333
Provided for the year	20	204	524	211	23	1,708	338	3,028
Eliminated on disposals	—	—	—	(22)	—	—	(166)	(188)
At 31 December 2002	160	1,328	1,602	1,164	443	11,801	675	17,173
<b>NET BOOK VALUES</b>								
At 31 December 2002	840	8,321	1,349	524	—	5,295	1,182	17,511
At 31 December 2001	860	8,525	1,810	462	23	2,801	357	14,838

The land use rights and buildings are located in the PRC under medium-term leases.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 14. INVESTMENT PROPERTIES

THE GROUP  
HK\$'000

Balance at 1 January 2002 and 31 December 2002	780
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The investment properties are held under medium-term leases in Hong Kong and are rented out under operating leases.

The investment properties were valued at HK\$780,000 on 30 September 2001 by DTZ Debenham Tie Leung Limited, an independent registered professional surveyor, on an open market existing use basis. The directors consider that the open market value at both balance sheet dates was not significantly different from that at 30 September 2001.

### 15. INVESTMENTS IN SUBSIDIARIES

THE COMPANY  
2002                      2001  
HK\$'000                      HK\$'000

Unlisted investments	34,045	34,045
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The carrying amount of the unlisted investments is determined by the directors on the basis of the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the Group Reorganisation in 2001.

Particulars of the Company's subsidiaries as at 31 December 2002 are set out in note 28 to the financial statements.

None of the subsidiaries had any debt securities outstanding at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	1,302	—

Particulars of the Group's associate as at 31 December 2002 are as follows:

Name of associate	Place of incorporation	Proportion of nominal value of issued ordinary share capital held indirectly by the Company	Principal activities
Feng Hua Advanced Technology (HK) Limited	Hong Kong	30%	Trading of electronics components

Due to the insignificance of the amount involved, the discount on acquisition of associate arose on the acquisition of Feng Hua Advanced Technology (HK) Limited amounting to HK\$630,000 has been released to income in the year and included in the amount reported as share of result of an associate in the consolidated income statement.

### 17. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials and consumables	3,368	3,070
Work in progress	572	—
Finished goods	1,905	3,485
	5,845	6,555

All inventories are carried at cost.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 120 days to its trade customers.

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade receivables		
Within 30 days	14,259	8,898
Between 31 days and 120 days	23,860	22,954
More than 120 days	6,572	5,509
	<hr/>	<hr/>
	44,691	37,361
Other receivables ( <i>Note</i> )	1,651	27,936
	<hr/>	<hr/>
	46,342	65,297
	<hr/>	<hr/>

*Note:* Included in other receivables of the Group at 31 December 2001 was a cash balance of HK\$26,112,000 held by a custodian in respect of the proceeds arising from issue of shares through placing. The amount was released to the Group during the year.

### 19. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade payables		
Within 30 days	8,233	6,258
Between 31 days and 90 days	14,719	13,569
More than 90 days	8,258	6,258
	<hr/>	<hr/>
	31,210	26,085
Other payables and accruals	10,435	13,975
	<hr/>	<hr/>
	41,645	40,060
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 20. AMOUNTS DUE TO RELATED COMPANIES AND DIRECTORS

The amounts are unsecured, interest free and have no fixed terms of repayment. Mr. Pang Kuo-Shi, Steve ("Mr. Pang"), Mr. Pang's wife, Mr. Wong Chun ("Mr. Wong") and Mr. Hsia Chieh Wen ("Mr. Hsia") are either directors or shareholders of the related companies.

Mr. Pang, Mr. Wong and Mr. Hsia are directors and shareholders of the Company.

### 21. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary share of HK\$0.1 each		
<i>Authorised:</i>		
On incorporation	1,000,000	100
Increase in authorised share capital	999,000,000	99,900
<hr/>		
At 31 December 2001 and 31 December 2002	1,000,000,000	100,000
<hr/>		
<i>Issued and fully paid:</i>		
Allotted and issued as nil paid on incorporation	1,000,000	—
Credited as fully paid from contributed surplus	—	100
Issue of shares upon the Group Reorganisation	1,000,000	100
Capitalisation of share premium for issue of shares	238,000,000	23,800
Issue of shares through initial public offering	80,000,000	8,000
<hr/>		
At 31 December 2001 and 31 December 2002	320,000,000	32,000

The following changes in the share capital of the Company took place during the period from 13 June 2001 (date of incorporation) to 31 December 2001:

- (a) The Company was incorporated on 13 June 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.1 each. On 19 June 2001, 1,000,000 ordinary shares were allotted and issued as nil paid.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 21. SHARE CAPITAL (*Continued*)

- (b) Pursuant to the written resolutions of all shareholders of the Company passed on 13 December 2001:
- (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of an additional 1,000,000 ordinary shares of HK\$0.1 each;
  - (ii) 1,000,000 ordinary shares of HK\$0.1 each were allotted, issued and credited as fully paid at par as consideration for the acquisition by the Company of the entire issued share capital of Glory Mark International (Holdings) Limited; and
  - (iii) an amount of HK\$100,000, being part of the amount credited to the contributed surplus of the Company arising from the issue of shares described in (b)(ii) above, was applied to pay up in full at par the 1,000,000 ordinary shares of HK\$0.1 each allotted and issued on 19 June 2001 as referred to in (a) above.
- (c) Pursuant to another written resolutions of all shareholders of the Company passed on 13 December 2001 and subject to certain conditions which were subsequently fulfilled:
- (i) the authorised share capital of the Company was increased from HK\$200,000 to HK\$100,000,000 by the creation of an additional 998,000,000 ordinary shares of HK\$0.1 each;
  - (ii) the placing and public offer of an aggregate 80,000,000 ordinary shares (subject to over-allotment option) of HK\$0.1 each were approved and the directors were authorised to allot and issue the new shares pursuant thereto; and
  - (iii) the directors were authorised to allot and issue a total of 238,000,000 ordinary shares of HK\$0.1 each, credited as fully paid at par, to the holders of shares of the Company on the register of members at the close of business on 18 December 2001 in proportion to their then existing holding by way of capitalisation of the sum of HK\$23,800,000 standing to the credit of the share premium account of the Company. Those shares were issued on 28 December 2001 following the placing and public offer of the Company's shares mentioned in (d) below.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 21. SHARE CAPITAL (Continued)

- (d) On 28 December 2001, 80,000,000 ordinary shares of HK\$0.1 each were issued at HK\$0.43 per share for cash through an initial public offering by way of placing and public offer. The Group intended to use the net proceeds from the shares issued mainly for expansion and as general working capital of the Group.

All the above shares issued by the Company rank pari passu with the then existing shares in all respects.

### 22. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>				
Contributed surplus arising on the Group Reorganisation	—	33,945	—	33,945
Contributed surplus utilised in paying up nil paid shares	—	(100)	—	(100)
Premium arising on initial public offering	26,400	—	—	26,400
Capitalisation of share premium for issue of shares	(23,800)	—	—	(23,800)
Share issue expenses	(2,600)	(8,083)	—	(10,683)
Profit for the year	—	—	46	46
At 31 December 2001	—	25,762	46	25,808
Profit for the year	—	—	8,833	8,833
Dividend	—	—	(2,560)	(2,560)
At 31 December 2002	—	25,762	6,319	32,081

The contributed surplus of the Company represents the difference between the aggregate shareholders' funds of the subsidiaries at the date on which the Company became the holding company of the Group and the nominal value of the share capital of the Company issued under the Group Reorganisation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 22. RESERVES (Continued)

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that, immediately following the distribution and dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK\$32,081,000 (2001: HK\$25,808,000).

### 23. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	25	585

The Company did not have any significant capital commitments as at the balance sheet date.

### 24. OPERATING LEASE COMMITMENTS

#### The Group as lessee

During the year, minimum lease payments paid under operating leases in respect of rented premises was HK\$286,000 (2001: HK\$283,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	128	275
In the second to fifth year inclusive	—	105
	128	380

Leases are negotiated for an average term of two years with fixed monthly rentals.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 24. OPERATING LEASE COMMITMENTS *(Continued)*

#### The Group as lessor

The Group's investment properties which are held for rental purposes are expected to generate rental yields of 18% on an ongoing basis and have committed tenants for the next year.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments which fall due within one year of HK\$96,000 (2001: HK\$47,000).

The Company did not have any commitments under non-cancellable operating leases as at the balance sheet date.

### 25. SHARE OPTION SCHEMES

Pursuant to the Company's Pre-IPO and Post-IPO share option schemes (the "Schemes") adopted on 13 December 2001 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 Schemes 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 an option. Options may be exercised at any time from the thirteenth month from the date of grant of the share option 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 25. SHARE OPTION SCHEMES (Continued)

At 31 December 2002, the number of shares in respect of which options had been granted under the Pre-IPO share option scheme was 32,000,000 (2001: 32,000,000), representing 10% (2001: 10%) of the shares of the Company in issue at that date. Details of these share options which were granted on 13 December 2001 with an exercise price of HK\$0.30 each are as follows:

Directors/ employees	Number of shares to be issued upon exercise of the options	Outstanding at 1.1.2002 and 31.12.2002	Cumulative number of shares to be issued upon exercise of the options and their exercisable period	
Directors	20,000,000	20,000,000	6,000,000	13.12.2002 - 12.12.2006
			12,000,000	13.12.2003 - 12.12.2006
			20,000,000	13.12.2004 - 12.12.2006
Employees	12,000,000	12,000,000	3,600,000	13.12.2002 - 12.12.2006
			7,200,000	13.12.2003 - 12.12.2006
			12,000,000	13.12.2004 - 12.12.2006
	<hr/> 32,000,000	<hr/> 32,000,000		

Under the Pre-IPO share option scheme, no share options were granted or exercised during the year. No options were granted under the Post-IPO share option scheme since its adoption. No charge is recognised in the income statement in respect of the value of options granted in both years presented.

### 26. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme and another defined contribution retirement benefit scheme for all qualifying employees in Hong Kong and Taiwan, respectively. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 2% to 5% of relevant payroll costs to the schemes, which contribution is matched by employees.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 26. RETIREMENT BENEFITS PLANS *(Continued)*

Eligible staff of a subsidiary operating in the PRC currently participate in a central pension scheme operated by the local municipal government. The PRC subsidiary is required to contribute an amount of 11% 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 subsidiary. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

### 27. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2002	2001
		HK\$'000	HK\$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Sales of goods <i>(Note a)</i>	—	1,101
	Purchases of goods <i>(Note b)</i>	—	7,211
	Service fees paid <i>(Note c)</i>		
	— Research and development	—	274
	— Others	—	291
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid <i>(Note c)</i>	252	272
C & C Technic Taiwan Co., Ltd. ("C & C")	Sales of goods <i>(Note b)</i>	384	223
	Purchases of goods <i>(Note c)</i>	5,884	3,953

Notes:

- (a) The selling prices of these transactions were set at a predetermined percentage of the selling prices charged by GM (Taiwan) to its customers.
- (b) These transactions were carried out at cost plus a profit mark-up.
- (c) These transactions were based on amounts agreed between the parties concerned with reference to market price.

Mr. Pang, Mr. Wong and Mr. Hsia, the directors and shareholders of the Company, together hold 79% interest in GM (Taiwan) and 100% interest in GM Enterprises. Further, Mr. Pang's wife holds 11.67% interest in C & C.

The above transactions with GM (Taiwan) were discontinued during the year ended 31 December 2001.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2002 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Asia-Link Technology Limited	Incorporated	British Virgin Islands	Ordinary shares US\$50,000	—	100%	Trading of connectivity products mainly for computers and peripheral products in the United States of America and investment holding
Asia-Link Technology Limited	Incorporated	Hong Kong	Ordinary shares HK\$100,000	—	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong
Dongguan Glory Mark Electronic Co., Ltd. 東莞輝煌電子有限公司	Wholly owned foreign enterprise	The PRC	Registered and contributed capital HK\$12,100,000	—	100%	Manufacture of connectivity products mainly for computers and peripheral products
Glory Mark Electronic Limited ( <i>Note a</i> )	Incorporated	British Virgin Islands	Ordinary shares US\$50,000	—	100%	Trading of connectivity products mainly for computers and peripheral products in South East Asia

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 28. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Glory Mark Electronic Limited	Incorporated	Hong Kong	Ordinary shares HK\$100,000	—	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong and investment holding
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands	Ordinary shares US\$100	100%	—	Investment holding
東莞亞聯科技電子有限公司	Wholly owned foreign enterprise	The PRC	Registered capital HK\$13,000,000	—	100%	Not yet commence business

**Notes:**

- (a) The subsidiary had established a branch, namely Glory Mark Electronic Limited Taiwan Branch (the "Branch") in Taiwan. The Branch is engaged as wholesaler and retailer of machinery, electric appliances and telecommunications equipment.
- (b) The subsidiary has not commenced business during the year. No capital has yet been contributed by the Group at 31 December 2002.

## FINANCIAL SUMMARY

	Year ended 31 December		
	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>RESULTS</b>			
Turnover	119,601	119,062	145,917
Profit from operations	14,968	19,389	13,711
Finance costs	—	(1)	(1)
Share of result of an associate	—	—	714
Profit before taxation	14,968	19,388	14,424
Taxation	(922)	(816)	(954)
Profit for the year	14,046	18,572	13,470
	At 31 December		
	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Total assets	70,726	105,875	114,959
Total liabilities	(50,122)	(47,995)	(46,169)
Shareholders' funds	20,604	57,880	68,790

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of GLORY MARK HI-TECH (HOLDINGS) LIMITED (“the Company”) will be held at Concord Room II & III, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 9 May 2003 at 11:00 a.m. for the following purposes:—

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2002.
2. To declare a final dividend of HK1.3 cents per share for the year ended 31 December 2002.
3. To re-elect director and to authorise the Board of Directors to fix the directors’ remuneration.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

### ORDINARY RESOLUTIONS: —

A. “THAT

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (“the Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the approval pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
  - (iii) the revocation, variation or renewal of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

### B. "THAT

- (a) subject to paragraph (b) of this Resolution, a general mandate be and is hereby unconditionally given to the directors of the Company (the "Directors") to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make and grant offers, agreements and options which would or might require the exercise of such powers, whether during the continuance of the Relevant Period or thereafter;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted or dealt with pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly:—
  - (i) a rights issue where shares are offered for a period fixed by the Directors to shareholders on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, or in any territory applicable to the Company);
  - (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company;
  - (iii) any scrip dividend scheme or similar arrangement implemented in accordance with the articles of association of the Company; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
  - (iii) the revocation, variation or renewal of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”



## NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT** conditional upon Resolutions 5A and 5B being passed, the general mandate granted to the directors of the Company pursuant to Resolution 5B to exercise the powers of the Company to allot shares in the capital of the Company be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 5A, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

By order of the Board

**Wong Chun**

*CEO*

Hong Kong, 28 March 2003

*Head Office and Principal Place of Business :*

Unit 907, 9th Floor

Westlands Centre

20 Westlands Road

Quarry Bay

Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the Company's principal place of business at Unit 907, 9/F., Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.
2. The register of members of the Company will be closed from 5 May 2003 (Monday) to 9 May 2003 (Friday), both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 2 May 2003 (Friday).