



Glory Mark Hi-Tech (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

2003 Annual Report

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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
Rooms 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 (the "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 2003.

FINANCIAL PERFORMANCE

The outbreak of SARS and the keen marketing competitions led the Group to face a challenging year in 2003. Despite of these, Glory Mark managed to achieve quite a satisfactory result during the year. The Group recorded a consolidated turnover and net profit of HK\$183.6 million and HK\$21.2 million respectively in 2003, representing an increase of approximately 25.8% and 57.0% respectively from the previous year. The increase in the turnover and net profit was a result of the effective strategy launched by the Group and the ongoing marketing efforts made by the Taiwan branch. In persisting the policy of emphasis on quality control and the belief of providing quality products and services to the customers, the Group succeeded in soliciting a number of new valuable customers during the year.

In 2003, sales to OEM customers and retail distributors increased by approximately 22.7% and 34.1% respectively. In terms of geographical region, sales to Taiwan, Japan, Korea and other regions increased by approximately 36.6%, 33.2%, 35.5% and 230.0% respectively and accounted for 47.7%, 19.7%, 10.8% and 8.7% respectively of the Group's turnover. Sales to The United States of America dropped by 35.2%.

Net profit was HK\$21.2 million, up 57.0% as compared to HK\$13.5 million of previous year. The increase was mainly due to the increase in turnover and the commission income acquired during the year in lining up the cooperation between a reputable computer and communication products manufacturer in Taiwan and a famous PRC mobile handset manufacturer and distributor.

DIVIDENDS

The Directors have recommended a final dividend of HK1.5 cents per share (2002: HK1.3 cents per share). Together with the interim dividend of HK0.6 cents per share (2002: nil) paid during the year, total dividends per share for 2003 were HK2.1 cents (2002: HK1.3 cents). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on 19 May 2004 to shareholders whose names appear on the register of members of the Company on 6 May 2004.

REVIEW

Benefited from our continuing adoption of a series of effective strategies, the Group succeeded in overwhelming the challenges in 2003: —

- **Efficient Corporate Structure**

Early before its listing, the Group had established an efficient corporate structure amongst Taiwan, Hong Kong and the PRC. Relative advantages in these two coasts, three areas were fully considered in setting up this structure. In 2001, the Group established Taiwan branch, which was responsible for providing marketing, material procurement and research and

CHAIRMAN'S STATEMENT

development services for the Group. It is well known that Taiwan is the leading design and OEM manufacturing site of the global computer branded products. Therefore, the Taiwan branch optimises its geographical advantages and has gradually and successfully built up close commercial partnerships with the leading Taiwan customers and suppliers of the Group. Adding to the Hong Kong's alert financial management centre and the highly cost effective production site in the Dongguan, PRC, this effective combination helps the Group to outperform amidst keen competition.

- **Tight Quality Control Policy**

The target markets of the Group are the global computer branded OEM manufacturers and leading retail distributors. Rendering high quality and reliable products and services to these customers is a critical factor of securing market shares in these market sectors. The Group's belief and persisting policy of providing top quality products and services to customers helps the Group to build up reputation in the industry.

- **Strong Research and Development Capabilities**

The Group highly emphasizes on its research and development capabilities, as it is critical in maintaining the Group's competitive edge to its top class and highly demanded customers. Recently the Group has completed the development of HDMI-enabled connectivity products. HDMI (High-Definition Multimedia Interface) is the first industry-supported, uncompressed, all digital audio/video interface and will enable true high definition audio/video content for consumers. It is anticipated that HDMI will soon become a dominant interface in the consumer electronics industry.

The Group's strong belief in and persistently adoption of the above policies obtained effect. In 2003, though faced keen competitions, the Group succeeded in gaining several global leading customers and acquired a satisfactory growth in turnover.

PROSPECT

Our competent marketing team of Taiwan branch will continue to extend its splendid marketing capabilities. To implement its business diversification plan, the Group is focusing its efforts to develop its new electronics business. Relevant equipments are gradually introduced. With the coordination of the additional production capacities offered by the developing factory, I am optimistic to the business of the Group.

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, 29 March 2004

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER AND PROFIT

With the effective marketing strategy launched by the Group and the ongoing marketing effort made by the Taiwan branch, the turnover of the Group reported HK\$183.6 million, up by 25.8% as compared to HK\$145.9 million of 2002. This was achieved despite the challenging marketing environment and the outbreak of SARS in 2003. The gross profit was HK\$42.5 million, up by 12.1% as compared to last year. Net profit was HK\$21.2 million, up by 57.0% which was mainly attributable to the increase in turnover and the commission income acquired during the year in lining up the cooperation between a reputable computer and communication products manufacturer in Taiwan and a famous PRC mobile handset manufacturer and distributor.

Sales analysis by OEM customers and retail distributors:—

	2003		2002	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Sales to OEM customers	129.7	70.6%	105.7	72.4%
Sales to retail distributors	53.9	29.4%	40.2	27.6%
	183.6	100.0%	145.9	100.0%

Sales to both of OEM customers and retail distributors increased in 2003. This was mainly attributable to increase in sales to several major customers and the soliciting of some new valuable customers.

Sales analysis by geographical region:—

	2003		2002	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Taiwan	87.6	47.7%	64.1	43.9%
The United States of America	21.6	11.8%	33.3	22.8%
Japan	36.3	19.8%	27.2	18.7%
Korea	19.7	10.7%	14.6	10.0%
Hong Kong	2.4	1.3%	1.8	1.2%
Others	16.0	8.7%	4.9	3.4%
	183.6	100.0%	145.9	100.0%

Sales to all regions except The United States of America increased during the year. The increase in sales to other regions was especially encouraging. It was mainly attributable to the strengthening of relationship with a Malaysian customer and the soliciting of a number of new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR IN REVIEW

Liquidity and Financial Resources

The financial position of the Group remained strong. As at 31 December 2003, the Group has cash and bank balances of approximately HK\$55.9 million. Most of the cash were placed at short-term deposits in United States Dollars and New Taiwan Dollars with reputable banks of Hong Kong and Taiwan respectively. The Group did not have any bank borrowings as at 31 December 2003.

The Group had arranged a banking facility of HK\$15 million with a bank in Hong Kong at the early of 2003. The Directors believe that the available funds of the cash and bank balances together with the banking facility are sufficient for the coming year.

Production Capacity and Capability

To cope with the anticipated increase in demand for the Group's products and its development plan, the Group purchased a land of 38,000 square metres with immediately available quarter premises of 10,000 square metres at Tangxia Town, where was nearby the existing production factory of the Group. The land together with the quarter premises were undergone conveyance process. In the first phase of the development plan, the Group planned to construct a new factory of floor area about 20,000 square metres on the land site. If everything went smooth, the Group expected to complete the construction of the factory and commence production in late 2004. This would increase by double the production capacity of the Group. The remaining area of the land site was reserved for the future development of the Group. The Group estimated that a total floor area of 50,000 to 60,000 square metres of factory premises and 20,000 to 30,000 square metres of quarter premises could be constructed on the land site.

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 2003.

Sales and Marketing

The Group positions itself as a provider of quality connectivity products for consumers, communication, computers and computer peripheral products mainly to the world's leading computer manufacturers and retail distributors. Rendering high quality and reliable products to customers is a crucial factor of gaining market share in this market sector. In persisting the policy of emphasis on quality control and the belief of providing top quality products and services to customers, the Group succeeded in developing sound relationships with its valuable customers. This successful strategy helps the Group to grow satisfactory and healthily.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Investment and Capital Assets

The Group was planning a first phase development project to construct a new factory premises of floor area about 20,000 square metres at Tangxia Town. The new factory premises was expected to be completed and commence production in late 2004. Total investments on this first phase of development project was estimated to be HK\$30 million, which would be fully financed by the internal resources of the Group.

Other than the event mentioned above, no significant investments or material acquisitions of subsidiaries and affiliated companies, which had significant impact on financial results of the Group, were made on 2003.

Employees

As at 31 December 2003, the Group had 2,039 (2002: 1,401) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2003 was approximately HK\$24.0 million (2002: HK\$19.6 million). The pay scale of the Group's employees was maintained at a competitive level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which was reviewed annually. Proper on-the-job trainings were provided to employees. The Company had granted options to its employees prior to its listing.

Currency Risk

The Group's purchases were made in NT\$, US\$, HK\$ and RMB which represented approximately 77.6%, 4.0%, 15.2% and 3.2% respectively for the year ended 31 December 2003. (2002: 75.6%, 8.0%, 12.6% and 3.8% respectively). As at 31 December 2003, the Group held NT\$86.8 million on hand, which was used to partially hedge the exchange rate risk of NT\$.

Prospect

The Group is focusing its strength at the development of its new electronics business and its new factory construction project. With the new factory premises commencing operations in late this year, the directors believe that the Group is likely to go into another booming period. Recently, the Group has completed the development of the connectivity products for High Definition Multimedia Interface ("HDMI"). HDMI will be widely used and dominant in the consumer electronics industry.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also known as Steve Pang (龐國璽), aged 46, 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 22 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 44, 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 20 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. He is now serving as the Executive Committee Member and the Vice-Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, Director of the Hong Kong Critical Components Manufacturers Association. He is also awarded as the Associateship 2004 by The Professional Validation Council of Hong Kong Industries.

Mr. Hsia Chieh-Wen, also known as Paul Hsia (夏傑文), aged 42, 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 16 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 51, 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 22 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 65, 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 45, 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 46, 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 50, 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 15 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 42, 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 18 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 40, 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 six years of experience in sales management and joined the Group in November 1999.

Dr. Wei-I Lee (李威儀), aged 45, 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

BUSINESS OBJECTIVES AND BUSINESS PROGRESS COMPARISON

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFER

For the year ended 31 December 2003, the Group has invested approximately HK\$7.1 million for the following business objectives.

- Approximately HK\$0.8 million was used for new factory building
- Approximately HK\$5.7 million was used for expansion of production capacity and capability
- Approximately HK\$0.6 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 2003
<i>New factory building</i>	<i>New factory building</i>
1. acquire new machinery and equipment	1. deposit paid of around HK\$0.8 million in acquiring a land use right for a land with a quarter premise at Tangxia Town.
<i>Production capability and capacity</i>	<i>Production capability and capacity</i>
1. new production plant comes into operation	1. increase of new equipments, machineries and factory decorations amounted to HK\$5.7 million approximately
2. increase the production capacity	2. increase the production capacity
3. commence production of IEEE— 1394b and electronic connectors	3. commence production of IEEE— 1394b and electronic connectors

BUSINESS OBJECTIVES AND BUSINESS PROGRESS COMPARISON

COMPARISON OF THE BUSINESS OBJECTIVES LISTED IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS *(Continued)*

Business Objectives as stated in the Prospectus

Actual Business Progress for the year ended 31 December 2003

Production capability and capacity (Continued)

- | | |
|--|--|
| <p>4. continue to upgrade the production and testing equipment</p> <p>5. commence mass production on Mounted PCBs and multi-functional electronic connectors to OEMs</p> | <p>4. continue to upgrade the production and testing equipment</p> |
|--|--|

Research and development

Research and development

- | | |
|--|---|
| <p>1. continue to enhance the quality of existing products</p> <p>2. continue to develop new connectivity products</p> <p>3. continue the research works on multi-functional electronic connectors and digital communication products</p> <p>4. increase research and development staff by three engineers/technicians</p> | <p>1. continue to enhance the quality of existing products</p> <p>2. continue to develop new connectivity products</p> <p>3. continue the research works on multi-functional electronic connectors and digital communication products</p> |
|--|---|

Sales & marketing

Sales & marketing

- | | |
|--|--|
| <p>1. engage sales and marketing distribution agents in European countries and Singapore</p> | <p>1. participated in computer-related trade fairs in different countries such as The United States of America , Germany, Taiwan and Japan for amounting about HK\$0.3 million</p> |
|--|--|

BUSINESS OBJECTIVES AND BUSINESS PROGRESS COMPARISON

COMPARISON OF THE BUSINESS OBJECTIVES LISTED IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS *(Continued)*

Business Objectives as stated in the Prospectus

Actual Business Progress for the year ended 31 December 2003

Sales & marketing (Continued)

Sales & marketing (Continued)

- | | |
|--|--|
| 2. form strategic alliances with leading computer manufacturers | 2. promoted the corporate image of the Group through selected media channels for amounting about HK\$0.3 million |
| 3. increase sales and marketing personnel of about 2 staff in line with new market development | |
| 4. continue to participate in industry specific trade fairs | |
| 5. continue to promote the corporate image through selected media | |

The Group did not have any plan to significantly 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 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 29 and 16 to the financial statements, respectively.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 22.9% and 44.4% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 27.3% and 62.6% 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 Income Statement on page 23.

An interim dividend of HK0.6 cents per share, amounting to HK\$1,920,000, was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK1.5 cents per share to the shareholders on the register of members on 6 May 2004, amounting to HK\$4,800,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group continued its plant replacement policy and invested approximately HK\$5,701,000 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

DIRECTORS

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

Executive directors:

Mr. Pang Kuo-Shi, Steve

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. Lau Ho Kit, Ivan 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).

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

DIRECTORS' REPORT

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

At 31 December 2003, the interests of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the minimum standards of dealing by directors as referred to the Rules 5.40 to 5.58 of Chapter 5 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"), were as follows:

(a) Ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Pang Kuo-Shi, Steve ("Mr. Pang")	Held by family trust (<i>Note 1</i>)	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,272,000	18.21%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.92%
		<hr/> 233,024,000	<hr/> 72.82%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Share options

Name of director	Capacity	Number of underlying shares to be issued upon exercise of the options
Mr. Pang	Beneficial owner	8,000,000
Mr. Wong	Beneficial owner	9,050,000
Mr. Hsia	Beneficial owner	3,000,000
Mr. Wong Ngok Chung	Beneficial owner	3,000,000
		<hr/> 23,050,000

Notes:

1. 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.

Other than as disclosed above, none of the directors, 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 2003.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

At 31 December 2003, 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 1.1.2003 and 31.12.2003	Cumulative number of shares to be issued upon exercise of the options and their exercisable period	
<i>Directors</i>				
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
	<hr/>	<hr/>		
	20,000,000	20,000,000		
<i>Employees</i>				
	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/>	<hr/>		
	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 26 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

Other than as disclosed in note 28 to the financial statements:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of 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' and Chief Executive's Interests in Shares and Underlying Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 31 December 2003.

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.

SPONSOR'S INTERESTS

As at 31 December 2003, 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 member of the Group.

DIRECTORS' REPORT

INTERESTS IN COMPETITORS

During the year ended 31 December 2003, none of the directors or the management shareholders or their respective associates of the Company had an interest in a business, which competes or may compete with the business 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 2003, 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.

None of the Company or any 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 in 2003 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, interim and quarterly financial reports;
- (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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$16,560.

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

29 March 2004

AUDITORS' REPORT

德勤 • 關黃陳方會計師行

Certified Public Accountants

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**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 23 to 49 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 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

29 March 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	4	183,641	145,917
Cost of sales		(141,101)	(108,028)
Gross profit		42,540	37,889
Other operating income	6	7,545	1,819
Selling and distribution expenses		(6,393)	(4,260)
Administrative expenses		(20,947)	(21,737)
Profit from operations	7	22,745	13,711
Finance costs	9	—	(1)
Share of result of an associate		(32)	714
Profit before taxation		22,713	14,424
Taxation	10	(1,477)	(954)
Profit for the year		21,236	13,470
Dividends	11		
Paid		6,080	2,560
Proposed		4,800	4,160
Earnings per share	12		
Basic		HK6.64 cents	HK4.21 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	19,828	17,511
Investment properties	<i>14</i>	780	780
Interest in an associate	<i>16</i>	1,270	1,302
		21,878	19,593
CURRENT ASSETS			
Inventories	<i>17</i>	12,423	5,845
Trade and other receivables	<i>18</i>	59,799	46,342
Taxation recoverable		—	7
Bank balances and cash		55,907	43,172
		128,129	95,366
CURRENT LIABILITIES			
Trade and other payables	<i>19</i>	59,412	41,645
Amount due to a related company	<i>20</i>	13	606
Amounts due to directors	<i>21</i>	1,593	338
Taxation payable		5,057	3,580
		66,075	46,169
NET CURRENT ASSETS		62,054	49,197
		83,932	68,790
CAPITAL AND RESERVES			
Share capital	<i>22</i>	32,000	32,000
Reserves		51,932	36,790
		83,932	68,790

The financial statements on pages 23 to 49 were approved and authorised for issue by the Board of Directors on 29 March 2004 and are signed on its behalf by:

Pang Kuo-Shi
Director

Wong Chun
Director

BALANCE SHEET

At 31 December 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NON-CURRENT ASSET			
Investments in subsidiaries	15	34,045	34,045
CURRENT ASSETS			
Other receivables		52	35
Amounts due from subsidiaries		19,373	35,114
Taxation recoverable		—	7
Bank balances		16,902	92
		36,327	35,248
CURRENT LIABILITIES			
Other payables		282	288
Amount due to a subsidiary		6,874	4,924
		7,156	5,212
NET CURRENT ASSETS			
		29,171	30,036
CAPITAL AND RESERVES			
Share capital	22	32,000	32,000
Reserves	23	31,216	32,081
		63,216	64,081

Pang Kuo-Shi
Director

Wong Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share capital <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 2002	32,000	680	(13)	25,213	57,880
Profit for the year	—	—	—	13,470	13,470
Dividend paid	—	—	—	(2,560)	(2,560)
At 31 December 2002 and 1 January 2003	32,000	680	(13)	36,123	68,790
Exchange loss on translation of overseas operations not recognised in the income statement	—	—	(14)	—	(14)
Profit for the year	—	—	—	21,236	21,236
Dividends paid	—	—	—	(6,080)	(6,080)
At 31 December 2003	32,000	680	(27)	51,279	83,932

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 CASH FLOW STATEMENT

For the year ended 31 December 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit from operations	22,745	13,711
Adjustments for:		
Interest income	(391)	(489)
Depreciation and amortisation	3,384	3,028
(Gain) loss on disposal of property, plant and equipment	(30)	1
Allowance for doubtful debts	360	—
Operating cash flows before movements in working capital	26,068	16,251
(Increase) decrease in inventories	(6,578)	710
(Increase) decrease in trade and other receivables	(13,817)	18,955
Increase in trade and other payables	17,767	1,585
Decrease in amount due to a related company	(593)	(540)
Cash generated from operations	22,847	36,961
Hong Kong Profits Tax refunded	7	108
Interest received	391	489
Interest paid	—	(1)
NET CASH GENERATED FROM OPERATING ACTIVITIES	23,245	37,557
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	30	106
Purchase of property, plant and equipment	(5,701)	(5,808)
Acquisition of investment in an associate	—	(588)
NET CASH USED IN INVESTING ACTIVITIES	(5,671)	(6,290)
FINANCING ACTIVITIES		
Dividends paid	(6,080)	(2,560)
Increase (decrease) in amounts due to directors	1,255	(3,818)
NET CASH USED IN FINANCING ACTIVITIES	(4,825)	(6,378)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,749	24,889
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	43,172	18,283
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(14)	—
CASH AND CASH EQUIVALENTS CARRIED FORWARD	55,907	43,172
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	55,907	43,172

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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 shares of the Company were listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited.

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

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards (“HKFRSs”) — Statement of Standard Accounting Practice (“SSAP”) No. 12 (Revised) “Income taxes” issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS, is inclusive of SSAPs and interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting years and, accordingly, no prior period adjustment has been required.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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.

Subcontracting fee income, commission income and other 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 any identified impairment loss.

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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

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.

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.

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 2003

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.

Taxation

Taxation 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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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. Profits and losses arising on exchange are dealt with in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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, and subcontracting service rendered during the year, and is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Sales of goods	182,269	145,917
Subcontracting fee income	1,372	—
	183,641	145,917

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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.

Segment information about these businesses is presented as follows:

	2003			2002		
	OEM customers HK\$'000	Retail distributors HK\$'000	Total HK\$'000	OEM customers HK\$'000	Retail distributors HK\$'000	Total HK\$'000
OPERATING RESULTS						
TURNOVER	129,709	53,932	183,641	105,691	40,226	145,917
RESULTS	29,821	12,719	42,540	29,163	8,726	37,889
Unallocated income and expenses			(19,795)			(24,178)
Profit from operations			22,745			13,711
Finance costs			—			(1)
Share of result of an associate			(32)			714
Profit before taxation			22,713			14,424
Taxation			(1,477)			(954)
Profit for the year			21,236			13,470
ASSETS AND LIABILITIES						
ASSETS						
Trade receivables (<i>Note</i>)	49,747	7,684	57,431	40,156	4,535	44,691
Unallocated assets			92,576			70,268
Total assets			150,007			114,959
LIABILITIES						
Unallocated total liabilities			66,075			46,169
OTHER INFORMATION						
Allowance for doubtful debts	360	—	360	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

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 and inventories 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.

Geographical segments

The Group's customers are mainly located in Taiwan, The 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:

	2003 HK\$'000	2002 HK\$'000
Taiwan	87,561	64,092
The United States of America	21,618	33,346
Japan	36,266	27,235
Korea	19,747	14,574
Hong Kong	2,419	1,813
Others	16,030	4,857
	183,641	145,917

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Taiwan	64,414	37,291	49	1,368
Hong Kong	37,300	39,965	18	534
The PRC, other than Hong Kong	32,773	22,327	5,634	3,906
The United States of America	5,479	9,456	—	—
Japan	1,823	2,850	—	—
Korea	3,829	1,677	—	—
Others	4,389	1,386	—	—
	150,007	114,952	5,701	5,808

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Handling fee income	631	196
Net foreign exchange gains	—	23
Interest income	391	489
Rental income	126	143
Subcontracting fee	—	114
Gain on disposal of property, plant and equipment	30	—
Commission income	5,368	331
Others	999	523
	7,545	1,819

7. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note 8</i>)	5,231	4,531
Other staff costs		
Research and development	1,804	1,852
Others	22,016	17,562
Retirement benefit scheme contributions	176	140
Total staff costs	29,227	24,085
Auditors' remuneration	712	560
Depreciation and amortisation	3,384	3,028
Allowance for doubtful debts	360	—
Net foreign exchange losses	237	—
Inventories written off	—	122
Loss on disposal of property, plant and equipment	—	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors		
Fees	120	120
Other emoluments		
Salaries and other benefits	5,087	4,387
Retirement benefit scheme contributions	24	24
	5,231	4,531
Analysed into:		
Director A	1,775	1,625
Director B	1,670	1,420
Director C	1,117	867
Director D	549	499
Director E	120	120
Director F	—	—
	5,231	4,531

The amounts disclosed above include directors' fees of HK\$120,000 (2002: HK\$120,000) payable to an independent non-executive director.

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.

Employees

Of the five highest paid individuals of the Group, four (2002: four) were directors of the Company whose emoluments are included above. The emoluments of the remaining one (2002: one) individual were as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	575	555
Retirement benefit scheme contributions	12	12
	587	567

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

9. FINANCE COSTS

Finance costs represented interest on bank overdraft.

10. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in prior year	—	7
Taxation in other jurisdictions	1,477	947
	1,477	954

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.

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

The taxation charge for the year can be reconciled to the profit before taxation per the Consolidated Income Statement as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	22,713	14,424
Tax at the domestic income tax rate of 25% (2002: 25%)	5,678	3,606
Tax effect of income not taxable for tax purpose	(4,919)	(3,691)
Tax effect of expenses not deductible for tax purpose	21	24
Tax effect of unrecognised tax losses	565	901
Underprovision in prior year	—	7
Effect of different tax rates of subsidiaries operating in other jurisdictions	109	70
Others	23	37
Taxation charge for the year	1,477	954

The domestic income tax rate represents income tax rate in Taiwan where the marketing support, materials procurement and research and development services of the Group are conducted.

At 31 December 2003, the Group has unused tax losses of approximately HK\$7,050,000 (2002: HK\$4,791,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

11. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Paid		
Final dividend paid of HK1.3 cents (2002: HK0.8 cents) per share	4,160	2,560
Interim dividend paid of HK0.6 cents (2002: Nil) per share	1,920	—
	<hr/> 6,080	<hr/> 2,560
Proposed		
Final dividend proposed of HK1.5 cents (2002: HK1.3 cents) per share	4,800	4,160

The final dividend of HK1.5 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 year is based on the profit for the year of HK\$21,236,000 (2002: HK\$13,470,000) and on 320,000,000 (2002: 320,000,000) shares in issue.

No dilutive earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price of the shares in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Land use rights <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
COST								
At 1 January 2003	1,000	9,649	2,951	1,688	443	17,096	1,857	34,684
Additions	—	43	484	193	79	4,902	—	5,701
Disposals	—	—	—	—	—	—	(128)	(128)
At 31 December 2003	1,000	9,692	3,435	1,881	522	21,998	1,729	40,257
DEPRECIATION AND AMORTISATION								
At 1 January 2003	160	1,328	1,602	1,164	443	11,801	675	17,173
Provided for the year	20	205	556	243	8	2,068	284	3,384
Eliminated on disposals	—	—	—	—	—	—	(128)	(128)
At 31 December 2003	180	1,533	2,158	1,407	451	13,869	831	20,429
NET BOOK VALUES								
At 31 December 2003	820	8,159	1,277	474	71	8,129	898	19,828
At 31 December 2002	840	8,321	1,349	524	—	5,295	1,182	17,511

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

14. INVESTMENT PROPERTIES

THE GROUP
HK\$'000

Balance at 1 January 2003 and 31 December 2003	780
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The Group's investment properties are held under medium-term leases in Hong Kong and are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

14. INVESTMENT PROPERTIES *(Continued)*

They 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 the balance sheet date was not significantly different from that at 30 September 2001.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments	34,045	34,045

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 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 at 31 December 2003 are set out in note 29.

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

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	1,270	1,302

Particulars of the Group's associate at 31 December 2003 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activity
Feng Hua Advanced Technology (HK) Limited	Hong Kong	30%	Trading of electronic components

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

17. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials and consumables	5,557	3,368
Work in progress	337	572
Finished goods	6,529	1,905
	12,423	5,845

All inventories are carried at cost.

18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days (2002: 30 days to 120 days) to its trade customers.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade receivables		
Within 30 days	14,526	14,259
Between 31 days and 120 days	31,756	23,860
Between 121 days and 180 days	10,284	4,223
More than 180 days	865	2,349
	57,431	44,691
Other receivables	2,368	1,651
	59,799	46,342

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

19. TRADE AND OTHER PAYABLES

The Group has an average credit period ranging from 30 days to 150 days (2002: 30 days to 90 days) from its trade suppliers.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade payables		
Within 30 days	11,336	8,233
Between 31 days and 90 days	25,247	14,719
Between 91 days to 150 days	11,294	7,462
More than 150 days	1,480	796
	<hr/>	
	49,357	31,210
Other payables	10,055	10,435
	<hr/>	
	59,412	41,645
	<hr/>	

20. AMOUNT DUE TO A RELATED COMPANY

The amount is owed to C & C Technic Taiwan Co., Ltd. ("C & C"), a company in which the spouse of Mr. Pang Kuo-Shi, Steve, a director and shareholder of the Company, holds 11.67% interest. The amount is unsecured, interest free and repayable according to relevant trade terms.

21. AMOUNTS DUE TO DIRECTORS

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

22. SHARE CAPITAL

	Number of shares 2003 & 2002	Value 2003 & 2002 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000
	<hr/>	
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.1 each	320,000,000	32,000
	<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

23. RESERVES

	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
At 1 January 2002	25,762	46	25,808
Profit for the year	—	8,833	8,833
Dividend paid	—	(2,560)	(2,560)
At 31 December 2002	25,762	6,319	32,081
Profit for the year	—	5,215	5,215
Dividends paid	—	(6,080)	(6,080)
At 31 December 2003	25,762	5,454	31,216

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 for the acquisition under the group reorganisation in 2001.

In the opinion of the directors, the Company's reserves available for distribution represent the contributed surplus and accumulated profits. At 31 December 2003, the Company's reserves available for distribution to shareholders amounted to HK\$31,216,000 (2002: HK\$32,081,000).

24. CAPITAL COMMITMENTS

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	6,645	25

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

25. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments paid under operating leases in respect of rented premises was HK\$604,000 (2002: HK\$286,000).

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

	2003 HK\$'000	2002 HK\$'000
Within one year	376	128
In the second to fifth year inclusive	105	—
	<hr/>	<hr/>
	481	128

Leases are negotiated for an average term of one year with fixed monthly rentals.

The Group as lessor

The Group's investment properties which are held for rental purposes are expected to generate rental yields of 16% on an ongoing basis and have committed tenants for the next year.

At 31 December 2003, the Group had contracted with tenants for future minimum lease payments which fall due within one year of HK\$36,000 (2002: HK\$96,000).

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

26. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

26. SHARE OPTION SCHEMES (Continued)

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.

At 31 December 2003, the number of shares in respect of which options had been granted under the Pre-IPO share option scheme was 32,000,000 (2002: 32,000,000), representing 10% (2002: 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		Cumulative number of	
	to be issued upon exercise of the options	Outstanding at 1.1.2003 and 31.12.2003	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
	<u>32,000,000</u>	<u>32,000,000</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

26. SHARE OPTION SCHEMES *(Continued)*

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.

27. 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.

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.

28. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rentals paid <i>(Note a)</i>	135	—
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid <i>(Note a)</i>	300	252
San Chen Company ("San Chen")	Rentals paid <i>(Note a)</i>	135	—
C & C	Sales of goods <i>(Note b)</i>	153	384
	Purchases of goods <i>(Note a)</i>	1,019	5,884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

28. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) These transactions were based on amounts agreed between the parties concerned with reference to market price.
- (b) These transactions were carried out at cost plus a profit mark-up.

Mr. Pang Kuo-Shi, Steve ("Mr. Pang"), Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% interest in GM (Taiwan) and 100% interest in GM Enterprises. Mr. Pang holds 40% interest in San Chen and his spouse holds 11.67% interest in C & C.

29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Paid up issued 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	US\$50,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products in the United States of America, investment holding and provision of subcontracting service
Asia-Link Technology Limited	Incorporated	Hong Kong	HK\$100,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

29. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
東莞輝煌電子有限公司 Dongguan Glory Mark Electronic Co., Ltd.	Wholly foreign-owned enterprise	PRC	HK\$12,100,000 Paid up registered capital	—	100%	Manufacture of connectivity products mainly for computers and peripheral products
Glory Mark Electronic Limited (Note a)	Incorporated	British Virgin Islands	US\$50,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products in South East Asia
Glory Mark Electronic Limited	Incorporated	Hong Kong	HK\$100,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong, investment holding and provision of subcontracting service
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands	US\$400 Ordinary shares	100%	—	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd. (Note b)	Wholly foreign-owned enterprise	PRC	HK\$2,000,000 Paid up registered capital	—	100%	Not yet commenced business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

29. PARTICULARS OF SUBSIDIARIES *(Continued)*

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 and provides marketing support, materials procurement and research and development services for the Group.
- (b) At 31 December 2003, the registered capital was HK\$23,500,000 (2002: HK\$13,000,000) of which HK\$2,000,000 (2002: Nil) was paid up by the Group, subject to the issuance of capital verification report.

FINANCIAL SUMMARY

	Year ended 31 December			
	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
RESULTS				
Turnover	119,601	119,062	145,917	183,641
Profit from operations	14,968	19,389	13,711	22,745
Finance costs	—	(1)	(1)	—
Share of result of an associate	—	—	714	(32)
Profit before taxation	14,968	19,388	14,424	22,713
Taxation	(922)	(816)	(954)	(1,477)
Profit for the year	14,046	18,572	13,470	21,236
	At 31 December			
	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
ASSETS AND LIABILITIES				
Total assets	70,726	105,875	114,959	150,007
Total liabilities	(50,122)	(47,995)	(46,169)	(66,075)
Shareholders' funds	20,604	57,880	68,790	83,932