GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8159)

ANNUAL REPORT 2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility of the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors 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

INDEPENDENCE NON-EXECUTIVE DIRECTORS

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

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*
Wong Kwong Chi

REMUNERATION COMMITTEE

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

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

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

AUDITORS

Deloitte Touche Tohmatsu

STOCK CODE

8159

CHAIRMAN'S STATEMENT

To Our Shareholders,

2005 was a challenging year for the Group. The high material prices, rising labour costs in the Pearl River Delta region and the appreciation of Renminbi constituted a difficult operating environment. Despite these challenges, the Group achieved a consolidated profit of HK$21.3 million in the year of 2005. This was HK$4.6 million in excess of the net profit in 2004. The improved profit in 2005 was the result of the Group's effort in fortifying it business. The Group has adopted a series of measures to strengthen its competitiveness in the market. These moves included the launching of higher margin products, focusing its resources at new and existing customers and enhancing its cost effectiveness.

In 2006, the Group will continue these successfully strategies. The construction of new factory in Tangxia is completed and will soon commence operation after the completion of the interior decoration. The Group will shift the manufacturing of high value-added products to this new factory. We anticipate that its design will help to attract quality customers and valuable employees.

By the end of 2005, the Group shifted some labour intensive manufacturing processes to a leased factory in Fogang. This strategy proved to be successful. The relatively lower labour costs together with the incentive policy offered by Fogang government helped to lower the manufacturing costs of the Group. In 2006, we will extend this strategy and plan to construct a third factory in Fogang. After the completion of this new factory, the Group will shift all the labour intensive manufacturing processes to Fogang. We believe that this policy will help to rationalize the cost structure of the Group.

The integration of mobile communication products, computers and digital home alliances continues to generate business opportunities to the Group. The combination of our expanded production facilities in PRC, our proficient financial management team in Hong Kong and outstanding marketing and research and development teams in Taiwan promises prospect of the Group. As always, we will continue to seize every opportunity to raise our competitiveness in the market to bring lucrative returns to our valued shareholders.

On behalf of the Board of Directors, I wish to take this opportunity to extend my sincere gratitude to our customers, shareholders and business partners for their continuous and valuable supports. I would also like to express my heartfelt appreciation to all our dedicated management team and committed staff for their honour, hard work and continuous efforts over the years.

Pang Kuo-Shi
Chairman

Hong Kong, 23 March 2006

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER AND PROFIT

The Group's consolidated turnover amounted to approximately HK$277.1 million for the year ended 31 December 2005, about 6.4% higher (2004: HK$260.4 million).

Sales to OEM customers and retail distributors were HK$187.6 million and 89.5 million respectively, increased by 3.5% and 13.1% respectively as compared to 2004. In terms of geographical segments analysis, sales to all regions except Taiwan increased in 2005 as compared to last year. During the year, the Group succeeded in promoting its products to a leading Korea customer. The increment of sales to Korea was encouraging, up 147.5% as compared to 2004. Sales to Japan, The United States of America (the "USA"), Hong Kong and other regions increased by 20.2%, 35.9%, 28.5% and 12.8% respectively. Sales to Taiwan decreased by 34.3%.

Consolidated net profit for the year ended 31 December 2005 was approximately HK$21.3 million, an increase of about 27.5% or HK$4.6 million (2004: HK$16.7 million). The increase in net profit was mainly attributable to the improvement in gross profit margin. In 2005, the Group was continually suffered from the adverse economic factors, which included high material prices, the significantly increase in labour costs and appreciation of Renminbi. To minimize these unfavourable effects, the Group adopted a number of policies, which included enhancement of cost efficiencies, launching higher margin products and more focusing at new and existing quality customers. These policies gained rewards. The gross profit of the year increased by HK$7.3 million or 15.9% when compared to 2004.

YEAR IN REVIEW

Liquidity and Financial Resources

As at 31 December 2005, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$67.3 million (2004: HK$61.0 million), 67.3 million (2004: HK$87.4 million) and 112.7 million (2004: HK$95.8 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of 1.62 (2004: 1.72). As at 31 December 2005, the Group had unsecured bank overdraft of approximately HK$0.4 million (2004: nil).

Production Capacity and Material Investment and Capital Assets

The construction of the new factory located at Tangxia Town was completed. The production would commence in mid this year after the interior decoration was completed. This would double the production capacity of the Group. To cope with the anticipated development and reduce the production costs, the Group planned to start the construction of its third factory premises in northern Guangdong Province by this year end. The investments of these development projects were expected to be financed by the internal resources of the Group. The Group is able to finance these development projects by its internal resources.

Save as disclosed, no significant investments or material acquisitions of subsidiaries and affiliated companies, which have significant impact on financial results of the Group, were made on 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

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 54 engineers/technicians in the research and development department as at 31 December 2005.

Sales and Marketing

To minimize the adverse effects caused by increase in material and labour costs, the Group adopted a series of measures including the launching of some higher margin products and focusing its resources at new and existing higher margin customers. This successful strategy helped the Group to improve its gross profit margin, up from 17.7% in 2004 to 19.2% in 2005.

Employees

As at 31 December 2005, the Group had 2,157 (2004: 2,304) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2005 was approximately HK$33.9 million (2004: HK$30.1 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which are reviewed annually. 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 70.0%, 13.9%, 11.5% and 4.6% respectively for the year ended 31 December 2005. (2004: 77.2%, 7.9%, 11.4% and 3.5% respectively).

Prospect

It is anticipated that the adverse factors affecting the Group in 2005, which including the high copper and PVC prices, the significantly increase in labour costs in PRC and appreciation of Renminbi, will continue in 2006. In facing these challenges, the Group will shift labour intensive manufacturing processes to Fogang. The relatively lower labour costs in the region together with the incentive policy offered by the local government of Fogang, which included low leasing cost of land and exemption of governmental charges will help to lower the overall manufacturing costs of the Group. The new factory in Tangxia, Dongguan will soon commence operation. The directors anticipated that its design and facilities will attract new quality customers and quality employees. These will benefit the development of the Group in long run.

Summing all these, the Directors have a reserve but optimistic view to the results of the Group in the coming quarters.

BIOGRAPHICAL DETAILS OF DIRECTOR AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also know as Steve Pang（龐國璽）, aged 48, 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 24 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 46, 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. He had worked as a chief officer of China affairs for two Hong Kong listed electronics companies, Tomei International (Holdings) Limited and The Grande Holdings Limited. Mr. Wong has over 22 years of experience in electronic and computer peripherals sector. He is presently serving as the Vice-Chairman and the Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, Vice President of the Hong Kong Auto Parts Industry Association, Vice-President and Director of China Affairs of the Hong Kong Critical Components Manufacturers Association, GD Fogang County Committee of Chinese People's Political Consultative Conference, Executive Committee of the GDCC（廣東省東莞市工商業聯合會（總商會））, Vice-Chairman of the Dongguan City Association of Enterprises with Foreign Investment, Deputy Chairman of Dongguan City Tangxia Commerce Association, President of the China Information & Technology Industry Association, Director of the Hunan Overseas Friendship Association. He has also awarded as Fellow by The Professional Validation Council of Hong Kong Industries and Fellow Member by Asian Knowledge Management Association respectively in 2006.

Mr. Hsia Chieh-Wen, also know as Paul Hsia (夏傑文), aged 44, 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 18 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 53, 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 24 years of experience in finance, accounting and business management. Mr. Wong joined the Group in May 2000.

BIOGRAPHICAL DETAILS OF DIRECTOR AND SENIOR MANAGEMENT

Independence non-executive Directors

Dr. Hon. Lui Ming Wah (呂明華), Ph.D., SBS, JP, aged 67, is an established industrialist serving as the Honorary Chairman of the Hong Kong Electronic Industries Association and the Chairman of Hong Kong Shandong Business Association. He is also the Executive Committee Member of the Chinese Manufacturers Association of Hong Kong, an advisor of the Hong Kong International Arbitration Centre, Member of Hong Kong Government Trade Advisory Board, Vice Chairman of Independent Police Complaints Council. In the mainland, Dr. Lui serves as Member of CPPCC, Council Member of China Overseas Friendship Association. Dr. Lui was elected to the Hong Kong Legislative Council on 24 May 1998 for a term of two years. In 2000 and 2004 Legislative Council Elections, he was successfully elected for a term of four years each. 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 an independent non-executive Director in December 2001.

Mr. Lau Ho Kit, Ivan (劉可傑), aged 47, 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 Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants. Mr. Lau became an independent non-executive Director in December 2001.

Mr. Wong Kwong Chi (王幹芝), aged 54, holds a Degree in Science and an MBA from the Chinese University of Hong Kong. He has extensive experience in executive positions especially in information technology, electronics, automotive components and pharmaceutical industries. Mr. Wong has acted as director for seven listed public companies in Hong Kong in the last four years. Mr. Wong currently sits on the boards of CDC Corporation (NASDAQ: CHINA), Hang Fung Gold Technology Ltd. (HKEX: 0870), Fountain Set (Holdings) Limited (HKEX: 0420) and Glory Mark Hi-Tech (Holdings) Limited (HKGEM: 8159). Mr. Wong is former Chairman of Hong Kong Venture Capital Association in 1993 — 1994, former Vice Chairman of Hong Kong Electronic Industries Association Limited, and former Vice President of Hong Kong Auto Parts Industry Association. He is currently Honorary Treasurer of Hong Kong Critical Components Manufacturers Association; Council member of Hong Kong Biotechnology Association; Advisor to Guangdong Commercial Chamber of High-Tech Industries, Zhuhai High-Tech Innovation Centre, Chengdu City Advisory Group for Science & Technology; Member of Hong Kong Young Industrialists Council; as well as Member of Business and Professionals Federation of Hong Kong. Mr. Wong is also Honorary Citizen of Foshan, Nanhai, Kaiping and Jiangmen.

BIOGRAPHICAL DETAILS OF DIRECTOR AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr, Chui Wing Kit(徐永傑), aged 48, is the assistant financial controller of the Group. Mr. Chui gained substantial experience in finance, accounting, and auditing while working as an assistant financial controller of a listed company in Hong Kong. Mr. Chui joined the Group in October 2000.

Mr. Chen Ching-Chang(陳慶章), aged 44, 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 20 years of experience in cables, connectors assembling and management of electronic products manufacturing. Mr. Chen has worked as production manager in various manufacturing companies in Taiwan, relating to cables, connectors assembling and electronic products manufacturing. Mr. Chen joined the Group on 1 January 2002.

Dr. Wei-I Lee(李威儀), aged 47, 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.

DIRECTORS' REPORT

The board (the "Board") of Directors (the "Directors") of Glory Mark Hi-Tech (Holdings) Limited (the "Company") is pleased to present their report together with the audited accounts of the company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005, together with the audited comparatively figures for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 20.3% and 44.2% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 19.5% and 65.1% 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 ended 31 December 2005 are set out in the consolidated income statement on page 21.

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 28 April 2006, amounting to HK$4,800,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group continued its plant replacement policy and invested approximately HK$14,494,000 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 12 and 14 to the financial statements, respectively.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year ended 31 December 2005 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
Mr. Wong Kwong Chi

In accordance with Article 87 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. In accordance with these provisions, Mr. Pang Kuo-Shi, Steve, Mr. Wong Chun and Mr. Hsia Chieh-Wen shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into service agreement which shall be 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.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are determined with regard to the performance of individuals, the Company's operating results and market standards.

The Company has adopted its share option schemes as an incentive to Directors and employees. Details of share options granted to the Directors and employees as at 31 December 2005 are set out in the sub-section headed "share options" under the section of "Directors' and Chief Executive's Interest In Shares And Underlying Shares" and the section "Share Option Schemes" in the Directors' Report.

DIRECTORS' REPORT

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

As at 31 December 2005, 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 Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 to 5.67 of Chapter 5 of 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 ("Mr. Pang")	Held by family trust *(Note 1)*	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,447,000	18.26%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.92%

(b) Share options

Name of director	Capacity	Number of share options held	Number of underlying shares to be issued upon exercise of the options
Mr. Pang	Beneficial owner	8,000,000	8,000,000
Mr. Wong	Beneficial owner	6,000,000	6,000,000
	Held by spouse *(Note 2)*	3,050,000	3,050,000
Mr. Hsia	Beneficial owner	3,000,000	3,000,000
Mr. Wong Ngok Chung	Beneficial owner	3,000,000	3,000,000
		23,050,000	23,050,000

Notes:

(1) The 139,808,000 shares were held by Modern Wealth Assets Limited. 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, Mr. Pang's Family Trust.

(2) Mr. Wong is deemed to be interested in the options to acquire shares of the Company, being the interests held beneficially by his spouse, who is an employee of a subsidiary of the Company.

DIRECTORS' REPORT

Other than as disclosed above, none of the directors or the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations at 31 December 2005.

SHARE OPTION SCHEMES

At 31 December 2005, 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 1.1.2005	Lapsed during the year	Outstanding at 31.12.2005	Subscription price (HK$)	Number of shares to be issued upon exercise of the options and their exercisable period	
Directors							
Mr. Pang	8,000,000	8,000,000	—	8,000,000	0.3	2,400,000	13.12.2002 — 12.12.2006
						2,400,000	13.12.2003 — 12.12.2006
						3,200,000	13.12.2004 — 12.12.2006
Mr. Wong	6,000,000	6,000,000	—	6,000,000	0.3	1,800,000	13.12.2002 — 12.12.2006
						1,800,000	13.12.2003 — 12.12.2006
						2,400,000	13.12.2004 — 12.12.2006
Mr. Hsia	3,000,000	3,000,000	—	3,000,000	0.3	900,000	13.12.2002 — 12.12.2006
						900,000	13.12.2003 — 12.12.2006
						1,200,000	13.12.2004 — 12.12.2006
Mr. Wong Ngok Chung	3,000,000	3,000,000	—	3,000,000	0.3	900,000	13.12.2002 — 12.12.2006
						900,000	13.12.2003 — 12.12.2006
						1,200,000	13.12.2004 — 12.12.2006
	20,000,000	20,000,000	—	20,000,000			
Employees	12,000,000	12,000,000	2,950,000	9,050,000	0.3	2,715,000	13.12.2002 — 12.12.2006
						2,715,000	13.12.2003 — 12.12.2006
						3,620,000	13.12.2004 — 12.12.2006
	32,000,000	32,000,000	2,950,000	29,050,000			

No share options were granted or exercised during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of 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.

DIRECTORS' REPORT

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 2005.

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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$16,000.

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

23 March 2006

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

(a) Application of Corporate Governance Principles

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Group has applied the principles set out in the Code on Corporate Governance Practices ("HKSE Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") with these objectives in mind.

To this end, the Group has adopted all the code provisions in the HKSE Code to be the Group's code on corporate governance practices. In addition to formalizing existing corporate governance principles and practices within the Group, the HKSE Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code and ultimately ensuring high transparency and accountability to the Group's shareholders.

(b) Compliance with HKSE's Code's Provisions

Throughout the year of 2005, the Group had complied with all the code provisions in the HKSE Code with one deviation mentioned below.

(c) Deviation from HKSE Code

HKSE Code provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, the Company confirms that all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the code of conduct for the year 2005.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day-to-day management of the Company, which is delegated, to the Chairman and Chief Executive Officer and the management.

The Board comprises a total of seven directors, with three executive directors, namely, Mr. Pang Kuo-Shi, Steve (Chairman), Mr. Wong Chun (Vice Chairman and Chief Executive Officer), Mr. Hsia Chieh-Wen and Mr. Wong Ngok Chung; and three independent non-executive directors, namely, Dr. Hon. Lui Ming-Wah, JP, Mr. Lau Ho-Kit, Ivan and Mr. Wong Kwong-Chi. An independent non-executive director has appropriate professional qualifications, accounting and financial management expertise.

The posts of Chairman and Chief Executive Officer are separated and are exercised by different individuals to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 5.09 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The types of decisions taken out by the Board include matters in relation to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies

CORPORATE GOVERNANCE REPORT

The Board has delegated decisions regarding the daily operation and administration of the Company to the management, under the supervision of the Chief Executive Officer.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

Board Operation

The Board meets regularly over the Company's affairs and operations. In 2005, the Board held five meetings. The attendance record of each member of the Board is set out below:

Executive Directors	Attendance
Pang Kuo-Shi, Steve	4/5
Wong Chun *(Chief Executive Officer)*	5/5
Wong Ngok-Chung	5/5
Hsia Chieh-Wen	3/5
Independent Non-executive Directors	
Dr. Hon Lui Ming-Wah, JP	4/5
Lau Ho-Kit, Ivan	5/5
Wong Kwong-Chi	5/5

Remuneration of Directors and Senior Management

As mentioned above, a remuneration committee was formed on 30 December 2005 for, inter alia, the following purposes: —

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for executive directors and senior management and to make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee is made up all of the Company's independent non-executive directors, namely, Mr. Wong Kwong Chi, (Chairman), Dr. Hon. Lui Ming-Wah, JP and Mr. Lau Ho-kit, Ivan and an executive director, Mr. Wong Chun.

A meeting was held in 30 December 2005 to consider and determine (a) the bonus payment of executive directors, (b) bonus payments to employees of the Group and (c) the salary increases of senior management and employees of the Group for the Board's approval. In view that the remuneration packages of the four executive directors were remain unchanged for over four years, the Remuneration Committee proposed to review the remuneration packages of all the directors in 2006. Mr. Wong Kwong-Chi, Dr. Hon. Lui Ming-Wah, JP, Mr. Lau Ho-Kit, Ivan and Mr. Wong Chun attended this meeting.

CORPORATE GOVERNANCE REPORT

Details regarding the Company's emolument policy and long-term incentive schemes, as well as the basis of determining the directors' emoluments are set out in this Annual Report.

The Remuneration Committee will meet and review the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's directors in 2006.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditors, Deloitte Touche Tomatsu, to the Company in the year 2005 amounted to HK$618,000 and HK$120,000 respectively. Non-audit services provided by Deloitte Touche Tomatsu included the review of the Group's interim results announcement.

AUDIT COMMITTEE

The Audit Committee comprises the 3 INEDs Mr. Lau Ho-Kit, Ivan, Dr. Hon. Lui Ming Wah, JP and Mr. Wong Kwong-Chi as its members, and its chairman is Mr. Lau Ho-Kit. The Committee is responsible for assisting the Board to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

In 2005, the Audit Committee held four meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Lau Ho-Kit, Ivan	4/4
Dr. Hon. Lui Ming Wah, JP	3/4
Wong Kwong-Chi	4/4

For the financial year of 2005, the Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in HKSE Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors several times during 2005.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Board has not established a Nomination Committee, and the Board itself is responsible for the selection and approval of new directors. The Board adopts the following procedure and criteria for nomination of Directors:

1. Procedure for Nomination of Directors

    1.1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an INED).

    1.2. Prepare a description of the role and capabilities required for the particular vacancy.

    1.3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

    1.4. Arrange interview(s) with each candidate for the Board to evaluate whether the candidate meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

    1.5. Conduct verification on information provided by the candidate.

    1.6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

2. Criteria for Nomination of Directors

    2.1. Common Criteria for All Directors

    (a) Character and integrity

    (b) The willingness to assume broad fiduciary responsibility

    (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

    (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

CORPORATE GOVERNANCE REPORT

2. Criteria for Nomination of Directors *(Continued)*

2.1. Common Criteria for All Directors (Continued)

(e) Significant business or public experience relevant and beneficial to the Board and the Company

(f) Breadth of knowledge about issues affecting the Company

(g) Ability to objectively analyse complex business problems and exercise sound business judgment

(h) Ability and willingness to contribute special competencies to Board activities

(i) Fit with the Company's culture

2.2. Criteria for Non-Executive Directors

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings

(b) Accomplishments of the candidate in his or her field

(c) Outstanding professional and personal reputation

(d) The candidate's ability to meet the independence criteria for directors established in the GEM Listing Rules

In 2005, the Board did not have any discussion to nominate directors since there had not been any vacancy to fill within the Board.

A statement of Director's responsibilities for preparing the financial statements is set out in this Annual Report. The Auditors' Report states auditors' Reporting responsibilities.

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

AUDITORS' REPORT

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 consolidated financial statements of Glory Mark Hi-Tech (Holdings) Limited (the "Company") and its subsidiaries (the "Group") from pages 21 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 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
Hong Kong
23 March 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	4	277,081	260,475
Cost of sales		(223,787)	(214,490)
Gross profit		53,294	45,985
Other income	6	4,505	3,600
Increase in fair value/revaluation increase of investment properties		1,090	470
Selling and distribution expenses		(9,360)	(8,104)
Administrative expenses		(25,742)	(22,755)
Bank overdraft interest		(1)	(5)
Share of result of an associate		—	47
Loss on disposal of an associate		—	(670)
Profit before taxation	7	23,786	18,568
Taxation	8	(2,495)	(1,905)
Profit for the year		21,291	16,663
Dividends	10		
Paid		4,800	4,800
Proposed		4,800	4,800
Earnings per share	11		
Basic		HK6.65 cents	HK5.21 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	2005 *HK$'000*	2004 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	35,399	25,914
Prepaid lease payments	*13*	3,742	3,825
Investment properties	*14*	2,340	1,250
Club debenture	*15*	560	—
Deposits for land use rights		3,391	—
Bank deposits		—	3,883
		45,432	34,872
CURRENT ASSETS			
Inventories	*16*	34,393	17,244
Trade and other receivables	*17*	73,912	44,946
Bank balances and cash	*18*	67,255	83,548
		175,560	145,738
CURRENT LIABILITIES			
Trade and other payables	*19*	97,096	76,332
Amount due to a related company	*20*	21	145
Amounts due to directors	*21*	1,338	1,338
Taxation payable		9,457	6,962
Bank overdrafts — unsecured		369	—
		108,281	84,777
NET CURRENT ASSETS		67,279	60,961
		112,711	95,833
CAPITAL AND RESERVES			
Share capital	*22*	32,000	32,000
Reserves		80,711	63,833
		112,711	95,833

The financial statements on pages 21 to 50 were approved and authorised for issue by the Board of Directors on 23 March 2006 and are signed on its behalf by:

Pang Kuo-Shi *Director*	Wong Chun *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Share capital	Merger reserve	Translation reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	32,000	680	(27)	51,279	83,932
Exchange gain on translation of overseas operations recognised directly in equity	—	—	38	—	38
Profit for the year	—	—	—	16,663	16,663
Total recognised income for the year	—	—	38	16,663	16,701
Dividend paid	—	—	—	(4,800)	(4,800)
At 31 December 2004	32,000	680	11	63,142	95,833
Exchange gain on translation of overseas operations recognised directly in equity	—	—	387	—	387
Profit for the year	—	—	—	21,291	21,291
Total recognised income for the year	—	—	387	21,291	21,678
Dividend paid	—	—	—	(4,800)	(4,800)
At 31 December 2005	**32,000**	**680**	**398**	**79,633**	**112,711**

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 2005

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before taxation	23,786	18,568
Adjustments for:		
Bank overdraft interest	1	5
Share of result of an associate	—	(47)
Loss on disposal of an associate	—	670
Interest income	(1,736)	(431)
Depreciation	4,701	4,342
Amortisation of prepaid lease payments	83	83
Increase in fair value/revaluation increase of investment properties	(1,090)	(470)
Loss on disposal of property, plant and equipment	30	8
Allowance for doubtful debts	1,202	—
Operating cash flows before movements in working capital	26,977	22,728
Increase in inventories	(17,149)	(4,821)
(Increase) decrease in trade and other receivables	(30,168)	14,936
Increase in trade and other payables	20,764	16,920
(Decrease) increase in amount due to a related company	(124)	132
Cash generated from operations	300	49,895
Interest received	1,736	431
Interest paid	(1)	(5)
NET CASH FROM OPERATING ACTIVITIES	2,035	50,321
INVESTING ACTIVITIES		
Proceeds on disposal of an associate	—	647
Proceeds on disposal of property, plant and equipment	278	18
Purchase of property, plant and equipment	(14,494)	(14,445)
Purchase of club debenture	(560)	—
Deposits for land use rights	(3,391)	—
Decrease (increase) in bank deposits	3,883	(3,883)
NET CASH USED IN INVESTING ACTIVITIES	(14,284)	(17,663)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005 *HK$'000*	2004 *HK$'000* (Restated)
FINANCING ACTIVITIES		
Dividends paid	(4,800)	(4,800)
Decrease in amounts due to directors	—	(255)
NET CASH USED IN FINANCING ACTIVITIES	(4,800)	(5,055)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,049)	27,603
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	83,548	55,907
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	387	38
CASH AND CASH EQUIVALENTS CARRIED FORWARD	66,886	83,548
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	67,255	83,548
Bank overdrafts	(369)	—
	66,886	83,548

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. GENERAL

The Company was incorporated in the Cayman Islands 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 addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated balance sheet. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Share-based Payments

In the current year, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. This change in accounting policy has had no material impact on the results for the current or prior accounting years as all the share options were granted by the Group before 7 November 2002 or had been vested before 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see below for the financial impact).

Investment Properties

In the current year, the Group has applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change in accounting policy has had no material effect on the financial statements for the current or prior accounting years.

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. However, the effect of this change in accounting policy is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Deferred Taxes related to Investment Properties *(Continued)*

The effects of the application of the new HKFRSs on the balance sheet at 31 December 2004 are summarised below:

	As at 31.12.2004 (originally stated)	Impact of HKAS 17	As at 31.12.2004 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	29,822	(3,908)	25,914
Prepaid lease payments			
— Non-current	—	3,825	3,825
— Current	—	83	83
Total effects on assets	29,822	—	29,822

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(Continued)*

Deferred Taxes related to Investment Properties *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value, and financial instruments, which are initially measured at fair value, and in accordance with new HKFRSs.

The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Companies Ordinance. 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 intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

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

Subcontracting 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 effective interest rate applicable.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and any identified impairment loss. Construction in progress is carried at cost less any identified impairment loss.

Depreciation is provided to write off the cost of the assets, other than construction in progress, over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Research and development expenditures

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 of the project. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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. An 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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Inventories

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

Club debenture

Club debenture with indefinite useful life is carried at cost less any identified impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

The Group's financial assets are loans and receivables.

Loans and receivables (including trade and other receivables, bank deposits, and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities including trade and other payables, amount due to a related company, amounts due to directors, and bank overdrafts are subsequently measured at amortised cost, using the effective interest rate method after initial recognition.

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 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 recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, 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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

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

Retirement benefit costs

Payments to the defined contribution retirement benefit plan, state-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:

	2005	2004
	HK$'000	*HK$'000*
Sales of goods	**275,282**	258,104
Subcontracting fee income	**1,799**	2,371
	277,081	260,475

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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:

	2005			2004		
	OEM customers	Retail distributors	Total	OEM customers	Retail distributors	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING RESULTS						
TURNOVER	187,602	89,479	277,081	181,339	79,136	260,475
RESULTS	35,014	18,280	53,294	28,087	17,898	45,985
Unallocated income and expenses			(30,597)			(27,259)
Increase in fair value/ revaluation increase of investment properties			1,090			470
Bank overdraft interest			(1)			(5)
Share of result of an associate			—			47
Loss on disposal of an associate			—			(670)
Profit before taxation			23,786			18,568
Taxation			(2,495)			(1,905)
Profit for the year			21,291			16,663
ASSETS AND LIABILITIES						
ASSETS						
Trade receivables *(Note)*	53,783	14,685	68,468	29,652	9,958	39,610
Unallocated assets			152,524			141,000
Total assets			220,992			180,610
LIABILITIES						
Unallocated total liabilities			108,281			84,777
OTHER INFORMATION						
Allowance for doubtful debts	1,202	—	1,202	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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 the Republic of China (the "ROC"), Japan, the United States of America ("USA") and Korea. The following table provides an analysis of the Group's turnover by geographical location of the Group's customers:

	2005	2004
	HK$'000	*HK$'000*
ROC	**87,040**	132,482
Japan	**64,534**	53,671
Korea	**63,588**	25,694
USA	**38,767**	28,517
Hong Kong	**3,772**	2,935
Others	**19,380**	17,176
	277,081	260,475

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	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong	**64,528**	79,475	**132**	29
The PRC, other than Hong Kong	**79,954**	48,024	**14,297**	10,823
ROC	**40,608**	31,922	**65**	448
USA	**15,838**	8,872	**—**	—
Korea	**10,211**	5,843	**—**	—
Japan	**5,966**	4,088	**—**	—
Others	**3,887**	2,386	**—**	—
	220,992	180,610	**14,494**	11,300

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

6. OTHER INCOME

	2005 *HK$'000*	2004 *HK$'000*
The amount comprises:		
Net foreign exchange gains	252	760
Interest income on bank deposits	1,736	431

7. PROFIT BEFORE TAXATION

	2005 *HK$'000*	2004 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 9)*	5,572	5,532
Other staff costs		
Research and development	2,915	2,010
Others	29,962	27,659
Retirement benefit scheme contributions	984	468
Total staff costs	39,433	35,669
Auditors' remuneration	674	722
Depreciation	4,701	4,342
Amortisation of prepaid lease payments	83	83
Allowance for doubtful debts	1,202	—
Loss on disposal of property, plant and equipment	30	8

8. TAXATION

The amount represents current tax charge on assessable profit arising in jurisdiction other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction.

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. No provision for Hong Kong Profits Tax had been made in the financial statements in prior year as the Group has no assessable profit arising in Hong Kong in that year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

8. TAXATION *(Continued)*

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**23,786**	18,568
Tax at the domestic income tax rate of 25% (2004: 25%)	**5,947**	4,642
Tax effect of income not taxable for tax purpose	**(5,656)**	(3,495)
Tax effect of expenses not deductible for tax purpose	**1,918**	281
Tax effect of unrecognised tax losses	**731**	409
Utilisation of tax losses previously not recognised	**(445)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	61
Others	**—**	7
Taxation charge for the year	**2,495**	1,905

The domestic income tax rate represents income tax rate in the ROC where the marketing support, materials procurement, and research and development operations are conducted.

At 31 December 2005, the Group has deductible temporary differences of approximately HK$596,000 (2004: HK$451,000) and unused tax losses of approximately HK$9,990,000 (2004: HK$8,843,000) available for offset against future profits. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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

Directors

	Mr. Pang Kuo-Shi, Steve	Mr. Wong Chun	Mr. Hsia Chieh-Wen	Mr. Wong Ngok Chung	Dr. Hon. Lui Ming Wah, JP	Mr. Lau Ho Kit, Ivan	Mr. Wong Kwong Chi	Total 2005
2005								
Fees	—	—	—	—	80	—	80	160
Other emoluments								
Salaries and other benefits	1,925	1,708	1,267	488	—	—	—	5,388
Retirement benefit scheme contributions	—	12	—	12	—	—	—	24
	1,925	1,720	1,267	500	80	—	80	5,572
2004								
Fees	—	—	—	—	100	—	20	120
Other emoluments								
Salaries and other benefits	1,925	1,708	1,267	488	—	—	—	5,388
Retirement benefit scheme contributions	—	12	—	12	—	—	—	24
	1,925	1,720	1,267	500	100	—	20	5,532

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 (2004: four) were directors of the Company whose emoluments are included above. The emoluments of the remaining one (2004: one) individual were as follows:

	2005 *HK$'000*	2004 *HK$'000*
Salaries and other benefits	557	555
Retirement benefit scheme contributions	12	12
	569	567

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

10. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Paid		
Final dividend — HK1.5 cents (2004: HK1.5 cents) per share	**4,800**	4,800
Proposed		
Final dividend — HK1.5 cents (2004: HK1.5 cents) per share	**4,800**	4,800

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 for the year ended 31 December 2005.

11. EARNINGS PER SHARE

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

	2005	2004
	HK$'000	*HK$'000*
Profit for the year	**21,291**	16,663
	'000	*'000*
Number of ordinary shares for the purposes of basic earnings per share	**320,000**	320,000

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 2005

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture and fixtures	Office equipment	Computer equipment	Machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2004	9,692	—	3,435	1,881	522	21,998	1,729	39,257
Additions	—	4,105	683	168	145	5,945	254	11,300
Disposals	—	—	—	(33)	—	—	—	(33)
At 31 December 2004	9,692	4,105	4,118	2,016	667	27,943	1,983	50,524
Additions	—	12,135	278	396	3	1,675	7	14,494
Disposals	—	—	—	—	—	—	(693)	(693)
At 31 December 2005	**9,692**	**16,240**	**4,396**	**2,412**	**670**	**29,618**	**1,297**	**64,325**
DEPRECIATION AND AMORTISATION								
At 1 January 2004	1,533	—	2,158	1,407	451	13,869	831	20,249
Provided for the year	205	—	671	211	30	2,957	294	4,368
Eliminated on disposals	—	—	—	(7)	—	—	—	(7)
At 31 December 2004	1,738	—	2,829	1,611	481	16,826	1,125	24,610
Provided for the year	205	—	540	247	45	3,425	239	4,701
Eliminated on disposals	—	—	—	—	—	—	(385)	(385)
At 31 December 2005	**1,943**	**—**	**3,369**	**1,858**	**526**	**20,251**	**979**	**28,926**
CARRYING VALUES								
At 31 December 2005	**7,749**	**16,240**	**1,027**	**554**	**144**	**9,367**	**318**	**35,399**
At 31 December 2004	7,954	4,105	1,289	405	186	11,117	858	25,914

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the term of the lease
Furniture and fixtures	20% — 33%
Office equipment	20% — 25%
Computer equipment	20%
Plant and machinery	14% — 20%
Motor vehicles	17% — 20%

The buildings are located in the PRC under medium-term leases.

13. PREPAID LEASE PAYMENTS

The amount represents prepaid lease payments relating to land use rights in the PRC which are held under medium-term leases. Analysis of the carrying amount of prepaid lease payments are as follows:

	2005	2004
	HK$'000	*HK$'000*
Current asset (included in trade and other receivables)	83	83
Non-current asset	3,742	3,825
	3,825	3,908

14. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2004	780
Revaluation increase	470
At 31 December 2004	1,250
Increase in fair value	1,090
At 31 December 2005	**2,340**

The 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 2005

14. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

15. CLUB DEBENTURE

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

16. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Raw materials and consumables	**18,124**	7,413
Work in progress	**2,343**	317
Finished goods	**13,926**	9,514
	34,393	17,244

All inventories are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

17. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days (2004: 30 days to 150 days) to its trade customers.

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

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Trade receivables		
Within 30 days	41,163	15,651
From 31 days to 120 days	27,039	22,968
From 121 days to 180 days	142	314
Over 180 days	124	677
	68,468	39,610
Other receivables	5,444	5,336
	73,912	44,946

18. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at prevailing market interest rates and short-term bank deposits at fixed interest rates ranging from 3.3% to 4.3%.

19. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period ranging from 30 days to 150 days (2004: 30 days to 150 days) from its trade suppliers.

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

	2005 *HK$'000*	2004 *HK$'000*
Trade payables		
Within 30 days	19,953	15,122
From 31 days to 90 days	41,693	27,906
From 91 days to 150 days	16,960	8,200
Over 150 days	1,947	2,794
	80,553	54,022
Other payables	16,543	22,310
	97,096	76,332

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

20. AMOUNT DUE TO A RELATED COMPANY

The amount is owed to Glory Mark Enterprises Limited ("GM Enterprises"), a company in which Mr. Pang Kuo-Shi, Steve, Mr. Wong Chun and Mr. Hsia Chieh-Wan, directors and shareholders of the Company, together hold 100% interest. The amount is unsecured, interest free and repayable on demand.

21. AMOUNTS DUE TO DIRECTORS

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

22. SHARE CAPITAL

	Number of shares 2005 & 2004	Amount 2005 & 2004 *HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	320,000,000	32,000

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, and amounts due to directors. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. During the year, the top five customers of the Group accounted for about 65.1% (2004: 60.7%) of the Group's sales. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings.

Interest rate risk

Interest rate risk reflects the risk that the Group might expose through the impact of rate changes on interest-bearing financial assets. Interest-bearing financial assets are mainly balances with banks which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Foreign currency risk

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

Fair value

The carrying amount of the Group's major financial instruments (including trade and other receivables, bank balances and cash, trade and other payables, and amounts due to directors) approximates their fair value due to the short maturity.

24. CAPITAL COMMITMENTS

	2005	2004
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the financial statements in respect of the acquisition of property, plant and equipment	**12,846**	22,136

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

25. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises and equipment was HK$981,000 (2004: HK$897,000).

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:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**248**	650
In the second to fifth year inclusive	**144**	88
	392	738

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

The Group as lessor

Property rental income earned during the year was HK$559,000 (2004: HK$315,000).

The Group's investment properties which are held for rental purposes are expected to generate rental yields of 7% on an ongoing basis and have committed tenants for the next year.

At 31 December 2005, the Group had contracted with tenants for future minimum lease payments which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,522**	142
In the second to fifth year inclusive	**430**	—
	1,952	142

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 2005

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 2005, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO share option scheme was 29,050,000 (2004: 32,000,000), representing 9% (2004: 10%) of the shares of the Company in issue at that date. Details of these share options which were granted on 13 December 2001 (fully vested on the same date) with an exercise price of HK$0.30 each are as follows:

Directors/employees	Outstanding at 1.1.2004 and 1.1.2005	Lapsed during the year	Outstanding at 31.12.2005	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
				6,000,000	13.12.2003 — 12.12.2006
				8,000,000	13.12.2004 — 12.12.2006
Employees	12,000,000	(2,950,000)	9,050,000	2,715,000	13.12.2002 — 12.12.2006
				2,715,000	13.12.2003 — 12.12.2006
				3,620,000	13.12.2004 — 12.12.2006
	32,000,000	(2,950,000)	29,050,000		
Exercisable at the end of the year			29,050,000		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

26. SHARE OPTION SCHEMES *(Continued)*

Under the Pre-IPO share option scheme, no share options were granted or exercised during the two years ended 31 December 2005. 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 the ROC, 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 10% on the covered payroll of its employees to the central pension scheme for the funding of the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of the eligible employees of the PRC 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	2005 *HK$'000*	2004 *HK$'000*
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	145	140
GM Enterprises	Rental paid by the Group	252	252
San Chen Company ("San Chen")	Rental paid by the Group	145	140
Mr. Pang Kuo-Shi, Steve	Sales of a motor vehicle by the Group	278	—

Mr. Pang Kuo-Shi, Steve, 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 Kuo-Shi, Steve holds 40% interest in San Chen.

Details of the key management remuneration are set out in note 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2005 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 USA, investment holding and provision of subcontracting services
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
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 services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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 *Directly*	*Indirectly*	Principal activities
Glory Mark Electronic Limited	Incorporated	Samoa	US$50,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark Development Limited	Incorporated	British Virgin Islands	US$50,000 Ordinary shares	—	100%	Not yet commence business
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.	Wholly foreign-owned enterprise	PRC	HK18,540,000 Paid up registered capital *(Note b)*	—	100%	Not yet commence business
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$585,000 Paid up registered capital *(Note c)*	—	100%	Not yet commence business

Notes:

(a) The subsidiary had established a branch, namely Glory Mark Electronic Limited — Taiwan Branch (the "Branch") in the ROC. The Branch is engaged as a wholesaler and a 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 2005, the registered capital was HK$30,360,000 (2004: HK$23,500,000) of which HK$18,540,000 (2004: HK$8,000,000) had been paid by the Group, subject to the issuance of capital verification report.

(c) At 31 December 2005, the registered capital was US$1,680,000 (2004: US$1,680,000) of which US$585,000 (2004: Nil) had been paid by the Group, subject to the issuance of capital verification report.

None of the subsidiary has debt securities at the end of the year.

FINANCIAL SUMMARY

	Year ended 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	119,062	145,917	183,641	260,475	**277,081**
Profit for the year	18,572	13,470	21,236	16,663	**21,291**

	At 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	105,875	114,959	150,007	180,610	**220,992**
Total liabilities	(47,995)	(46,169)	(66,075)	(84,777)	**(108,281)**
Shareholders' funds	57,880	68,790	83,932	95,833	**112,711**