GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159

ANNUAL REPORT **2011**

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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. Lui Ming Wah, *S.B.S., JP*
Lau Ho Kit, Ivan
Wong Kwong Chi

COMPANY SECRETARY

Wong Ngok Chung, *HKICPA*

AUTHORISED REPRESENTATIVE

Wong Chun
Wong Ngok Chung

COMPLIANCE OFFICER

Wong Ngok Chung

QUALIFIED ACCOUNTANT

Wong Ngok Chung, *HKICPA*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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 Fulcrum Group (Cayman) Limited
(formerly named as Butterfield Bank (Cayman) Limited and Butterfield Fund Services (Cayman) Limited)
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

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

Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

STOCK CODE

8159

CHAIRMAN'S STATEMENT

To Our Shareholders,

On behalf of the board of directors (the "Board") of Glory Mark Hi-Tech (Holdings) Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

In 2011 the Group recorded a revenue of HK$370.8 million, representing a slightly decrease of 5.3% as compared to 2010. Net loss was approximately HK$13.3 million, compared to a profit of approximately HK$8.0 million in 2010.

The climbing wages rates and raw material prices in 2011 boosted the average production costs of the Group by approximately 4.0% from last year. While the costs of the Group's products jumped, their prices were not able to go up as much as the prices of raw materials did. The continuous depreciation of United States Dollars against Renminbi and the financial crisis in Western countries also put huge pressure on the Group's export. All these reasons led to the fact the Group's unsatisfactory results.

Despite of these, the Group succeeded in maintaining a strong financial position and had no outstanding bank borrowing. The Group will utilize its strong financial position to seek for valuable investment opportunities.

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

DIVIDEND

The Directors proposed a final dividend of HK 0.15 cents (2010: 0.30 cents) per share, which is subject to the approval of the shareholders in annual general meeting (the "AGM") for the year ended 31 December 2011. The final dividend will be payable on 18 June 2012 (Monday) to the shareholders whose names appear on the register of members of the Company on 28 May 2012 (Monday).

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The registers of members of the Company will be closed from 11 May 2012 (Friday) to 16 May 2012 (Wednesday) (both dates inclusive) for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch register, Hong Kong Registrars Limited at Shops 1712 -16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 May 2012 (Thursday) for registration.

CHAIRMAN'S STATEMENT

CLOSURE OF REGISTER FOR FINAL DIVIDEND

The registers of members of the Company for entitlement of dividend will be closed from 23 May 2012 (Wednesday) to 28 May 2012 (Monday) (both days inclusive) for the purposes of determining the entitlements of the Shareholders to the proposed final dividend upon passing of relevant resolution. All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch register, Hong Kong Registrars Limited at Shops 1712 -16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 May 2012 (Tuesday) for registration.

Pang Kuo-Shi
Chairman
Hong Kong, 26 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2011, the Group recorded a consolidated revenue of approximately HK$370.8 million (2010: approximately HK$391.7 million), representing a slightly decrease of approximately 5.3% as compared to the corresponding previous year.

Revenue to OEM customers and retail distributors were approximately HK$305.1 million and 65.7 million respectively, slightly decreased by 5.1% and 6.5% respectively as compared to 2010. In terms of geographical segments analysis, the turnover to ROC, Japan, USA and the other regions decreased by approximately 18.7%, 4.4%, 12.3% and 26.7% respectively. Revenue to Korea increased by approximately 37.5%.

Gross profit margin was 7.0% in 2011 as compared to 11.0% in 2010. The decrease in gross profit margin was mainly due to the increase in material costs and labour costs in China and the appreciation of Renminbi.

Other income

Other income was approximately HK$2.6 million as compared to approximately HK$2.8 million in 2010.

Selling and distribution expenses

Selling and distribution expenses decreased by 2.5% to approximately HK$11,666,000 in 2011, compared to approximately HK$11,963,000 in 2010. The decrease was in line with the turnover between the two comparative years.

Administrative expenses

Administrative expenses increased by 7.9% to approximately HK$27,488,000 in 2011, compared to approximately HK$25,481,000 in 2010.

Financial cost

The Group did not incur any financial cost in both 2011 and 2010.

Income tax expenses

The Group recorded an income tax expenses of approximately HK$1,441,000 in 2011, compared to HK$1,703,000 in 2010.

Non-controlling interests

Profit shared by non-controlling interests was approximately HK$106,000 in 2011, compared to a profit of approximately HK$313,000 in 2010. Profit shared by non-controlling interests represented non-controlling interests' share of profit in a company, which is partly owned by two third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year attributable to owners of the Company

Loss for the year attributable to owners of the Company was approximately HK$13,288,000 in 2011, compared to a profit of approximately HK$7,953,000 in 2010.

YEAR IN REVIEW

Liquidity and Financial Resources

As at 31 December 2011, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$76.9 million (2010: HK$89.1 million), HK$131.7 million (2010: HK$94.2 million) and HK$168.6 million (2010: HK$181.5 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of 1.40 (2010: 1.64). The Group had no unsecured bank overdraft at the end of both years.

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 57 engineers/technicians in the research and development department as at 31 December 2011.

Sales and Marketing

To deal with the downturn of the global market, the marketing team tried to secure the businesses with valuable customers and procure new reliable customers.

Employees

As at 31 December 2011, the Group had 1,652 (2010: 1,798) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2011 was approximately HK$69.4 million (2010: HK$68.7 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.

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 6.82%, 52.76%, 26.79% and 13.63% respectively for the year ended 31 December 2011. (2010: 7.73%, 55.53%, 25.98% and 10.76% respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

The Directors anticipated that the Group will continue to face the following challenges in 2012:

- Significantly increase in labour costs in China
- Appreciation of Renminbi
- Increase in material costs in particular copper price
- Unable to fully share the increased costs with customers

The Directors will take the following measures to alleviate the adverse effect:

- Continue to enhance the management system of the Group to improve operating efficiency
- To cut the loss business
- To invest in higher value-added business

Having considered the unfavourable economic situations, the Directors keep a conservative view as to the results of the Group in the coming quarters.

Dividend

The Directors proposed a final dividend of HK 0.15 cents (2010: 0.30 cents) per share, which is subject to the approval of the shareholders in general meeting for the year ended 31 December 2011. The final dividend will be payable on 18 June 2012 (Monday) to the shareholders whose names appear on the Register of Members of the Company on 28 May 2012 (Monday).

Closure of Register for Annual General Meeting

The Registers of Members of the Company to attend the annual general meeting (the "AGM") will be closed from 11 May 2012 (Friday) to 16 May 2012 (Wednesday) (both dates inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch register, Hong Kong Registrars Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 May 2012 (Thursday) for registration.

Closure of Register for Dividend

The registers of members of the company for entitlement of dividend will be closed from 23 May 2012 (Wednesday) to 28 May 2012 (Monday) (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch register, Hong Kong Registrars Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 May 2012 (Tuesday) for registration.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also known as Steve Pang (**龐國璽**), aged 55, 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 31 years of experience in the field of research and development, sales and marketing of computer cables and connectors. Prior to founding the Group, Mr. Pang worked as a sales manager for the US office of Hon-Hai Precision Industrial Company Limited ("鴻海精密工業股份有限公司"), one of the leading cable assembly and connector manufacturers in Taiwan. Mr. Pang graduated with a diploma in industrial engineering from Hsinpu Junior College of Technology in Taiwan ("台灣新埔工業專科學校") in 1978.

Mr. Wong Chun (**黃震**), aged 52, 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 27 years of experience in electronic and computer peripherals sector. He is presently serving as the Executive Committee Member and President of Mainland Hong Kong Economy and Trade Committee of the Chinese Manufacturers Association of Hong Kong, Vice-Chairman and the Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, President of the Hong Kong Auto Parts Industry Association, General Committee Member of Federation of Hong Kong Industries and Vice President of Auto Parts Committee, Vice President of the Executive Committee Member of CEO Club, GD Qingyuan City Committee of Chinese People Political Consultative Conference, Executive Vice-Chairman of Dongguan City Tangxia Association of Enterprises with Foreign Investment, the member of the China Trade and Innovation & Technology Advisory Committee of Hong Kong Trade Development Council. 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 known as Paul Hsia (**夏傑文**), aged 50, is an executive director of the Company 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 Lung Hua Technical College in Taiwan ("台灣龍華工業專科學校") in 1982. Mr. Hsia has over 23 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 Hon-Hai Precision Industrial Company Limited ("鴻海精密工業股份有限公司"), one of the leading cable assembly and connector manufacturers in Taiwan.

Mr. Wong Ngok Chung (**黃岳松**), aged 59, 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 member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 30 years of experience in finance, accounting and business management. Mr. Wong joined the Group in May 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independence non-executive Directors

Dr. Lui Ming Wah (呂明華), Ph.D., SBS, JP, aged 73, is an established industrialist serving as the Honorary Chairman of the Hong Kong Electronic Industries Association and the Honorary Chairman of Hong Kong Shandong Business Association. He is also the Honorary President of the Chinese Manufacturers Association of Hong Kong, an advisor of the Hong Kong International Arbitration Centre, and an observer of Independent Police Complaints Council. In the Mainland, Dr. Lui serves as a Member of CPPCC and a 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 nonexecutive Director in December 2001. Besides, he is currently an independent non-executive director of AV Concept Holdings Ltd., Gold Peak Industries (Holdings) Ltd., S.A.S. Dragon Holdings Ltd. and L.K. Technology Holdings Ltd., all being listed companies in the Stock Exchange, and a director of Asian Citrus Holdings Ltd., a listed company in the London Stock Exchange and Hong Kong.

Mr. Lau Ho Kit, Ivan (劉可傑), aged 53, 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 Masters degree in professional accounting. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England and Wales. Mr. Lau became an independent non-executive director in December 2001. Mr. Lau is also an independent non-executive director of CCT Tech International Limited and Singamas Container Holdings Limited. Both companies are listed on the main board of the Stock Exchange.

Mr. Wong Kwong Chi (王幹芝), aged 60, 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 is the Chief Executive Officer of CDC Games and China.com Inc (HKGEM: 8006). Mr. Wong serves on the boards of Fountain Set (Holdings) Limited (HKEX: 420) and Glory Mark Hi-Tech (Holdings) Limited (HKGEM: 8159) and Global Pharm Holdings Group, Inc. (OTCBB: GPHG). He was a director and Executive Vice President of Transpac Capital Ltd., one of the earliest and largest private equity investment firms in Asia, managing a US$820 million portfolio with investments in approximately 200 companies in East Asia and the United States. Currently, Mr. Wong is a Member of Planning Committee for C.W. Chu College of Chinese University of Hong Kong, a Director of CityU Enterprises Limited, Advisor and Past Vice President of Hong Kong Critical Components Manufacturers Association, Committee Member of Federation of Hong Kong Machinery & Metal Industries, Past Member of Advisory Committee on the Promotion of Innovation & Technology through the Hong Kong Platform of Hong Kong Trade Development Council, and Council Member of Hong Kong Biotechnology Association. Mr. Wong is currently an Honorary Citizen of Nanhai City, Kaiping City, Jiangmen City and Foshan City.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Chui Wing Kit (**徐永傑**), aged 54, 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 50, 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 26 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 53, is the technical consultant of the Group and is responsible for the research and development activities of the Group, especially in the fibre optic business. Dr. Lee obtained a doctoral degree in Electrical Engineering from Rensselaer Polytechnic Institute in U.S. in December 1988. Dr. Lee is at present a professor at The National Communication University ("國立交通大學") in Taiwan and the executive director of a company engaging in semiconductor opto-electronic and high-speed devices. Dr. Lee joined the Group in June 2001.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 29.4% and 48.2%, respectively, of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 26.7% and 65.5%, respectively, of the Group's total turnover for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 8.

The directors now recommend the payment of a final dividend of HK0.15 cents per share to the shareholders on the register of members on 28 May 2012, amounting to HK$960,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 December 2011. The increase in fair value of investment properties, which has been credited directly to profit or loss in consolidated statement of comprehensive income, amounted to HK$1,650,000 (2010: HK$800,000).

The Group expended approximately HK$6,502,000 (2010: HK$11,900,000) on new 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 14 and 16 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2011 comprised the retained profits of HK$48,189,000 (2010: HK$51,651,000).

DIRECTORS

The directors of the Company during the year ended 31 December 2011 and up to the date of this report were:

Executive directors:
Mr. Pang Kuo-Shi *(Chairman)*
Mr. Wong Chun *(Chief Executive Officer)*
Mr. Hsia Chieh-Wen
Mr. Wong Ngok Chung

Independent non-executive directors:
Dr. Lui Ming Wah, *S.B.S., JP*
Mr. Lau Ho Kit, Ivan
Mr. Wong Kwong Chi

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

DIRECTORS' SERVICE CONTRACT

Each of the executive directors has entered into service agreement with the Company which shall be terminated by not less than six months' notice in writing served by either party on the other.

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

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

DIRECTORS' REPORT

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

As at 31 December 2011, the interests of the directors and their associates in the shares and underlying shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by the Stock Exchange (the "GEM Listing Rules"), were as follows:

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. Wong Chun ("Mr. Wong")	Beneficial owner	116,544,000	18.21%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	69,888,000	10.92%

Other than as disclosed above, none of the directors and the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company and its associated corporations at 31 December 2011.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

During the year ended 31 December 2011, no share options were granted or exercised. As at 31 December 2011, no share options were outstanding.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year ended 31 December 2011 was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUFFICIENT OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation on his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests 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 shows that the following shareholder as having notifiable interest in the issued share capital of the Company as at 31 December 2011.

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
HSBC International Trustee Limited (Note)	Trustee	279,616,000	43.69%

Note: HSBC International Trustee Limited is the trustee of the discretionary trust, the Pang's Family Trust, and is deemed to be interested in 279,616,000 shares held by Modern Wealth Assets Limited, a wholly owned subsidiary of the True Profit Management Limited which in turn is a wholly owned subsidiary of HSBC International Trustee Limited. Mr. Pang Kuo-Shi, an executive director of the Company, is also a director of Modern Wealth Assets Limited and his wife is a beneficiary of the Pang's Family Trust.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group paid rental expense of HK$158,000 (2010: HK$149,000) to San Chen Company in which Mr. Pang Kuo-Shi holds 42.75% equity interest and can exercise significant influence in it.

Other than as disclosed above and in note 29 to the consolidated financial statements, there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

The independent non-executive directors confirmed 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 and are fair and reasonable and in the interest of the shareholders of the Company as a whole.

DIRECTORS' REPORT

No contract of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year 2011 or at any time during the year ended 31 December 2011.

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.

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 of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

DONATIONS

During the year ended 31 December 2011, the Group made charitable and other donations amounting to HK$18,000.

AUDITOR

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

On behalf of the Board

CHAIRMAN
Pang Kuo-Shi

26 March 2012

CORPORATE GOVERNANCE REPORT

The Company complied throughout the year ended 31 December 2011 with the code provisions in the Code on Corporate Governance Practice contained in Appendix 15 to the GEM Listing Rules, save for one exception: Code provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The Company deviated from this provision in that all non-executive directors of the Company were 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 already given the Company's shareholders the right to approve continuation of non-executive directors' offices.

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 four executive directors, namely, Mr. Pang Kuo-Shi (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. Lui Ming-Wah, *S.B.S., JP*, Mr. Lau Ho-Kit, Ivan and Mr. Wong Kwong-Chi. Mr. Lan Ho-Kit has appropriate professional qualifications, accounting and financial management expertise.

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

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

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

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;

CORPORATE GOVERNANCE REPORT

- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies

The Board has delegated 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 2011, the Board held four meetings.

The attendance record of each member of the Board is set out below:

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee was formed for, inter alia, the following purposes:

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

CORPORATE GOVERNANCE REPORT

(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 of all of the Company's independent non-executive directors, namely, Mr. Wong Kwong Chi (Chairman), Dr. Lui Ming-Wah, S.B.S., JP and Mr. Lau Ho-Kit, Ivan, and an executive director, Mr. Wong Chun.

A meeting was held in 25 March 2011 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. Mr. Wong Kwong-Chi, Dr. Lui Ming-Wah, *S.B.S., JP*, Mr. Lau Ho-Kit, Ivan and Mr. Wong Chun attended this meeting.

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 2012.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 26 March 2012 pursuant to the Revised Code.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditors, Deloitte Touche Tomatsu, to the Company in the year 2011 amounted to HK$680,000 and HK$46,000 respectively. Nonaudit services provided by Deloitte Touche Tomatsu included the review of the Group's tax compliance.

AUDIT COMMITTEE

The audit committee comprises three members — Mr. Lau Ho Kit, Ivan (Chairman) Dr. Lui Ming Wah, *S.B.S., JP*, and Mr. Wong Kwong Chi, who are independent non-executive directors.

During the year ended 31 December 2011, the audit committee held four meetings and performed the following duties:

(1) reviewed and commented on the Company's draft annual, interim and quarterly financial announcements;

(2) reviewed and commented on the Group's internal controls; and

(3) met with the external auditors and participated in the reappointment and assessment of the performance of the external auditors.

CORPORATE GOVERNANCE REPORT

The annual results presented herein have been reviewed by the Audit Committee.

The Audit Committee is governed by its terms of reference, which have been revised by the Board on 26 March 2012 pursuant to the Revised Code.

NOMINATION OF DIRECTORS

Prior to 26 March 2012, the Board did not establish a Nomination Committee, and the Board itself was responsible for the selection and approval of new directors. The Board adopted the following procedure and criteria for nomination of Directors:

1. Procedure for Nomination of Directors

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

CORPORATE GOVERNANCE REPORT

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

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

(f) Breadth of knowledge about issues affecting the Company

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

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

(i) Fit with the Company's culture

2.2. Criteria for Non-Executive Directors

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

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

(c) Outstanding professional and personal reputation

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

In 2011, the Board did not have any discussion to nominate directors since there had not been any vacancy to fill within the Board.

On 26 March 2012, the Board has established a Nomination Committee pursuant to the requirements of the Revised Code. It considers matters regarding the nomination and/or appointment or reappointment of director(s).

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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 (collectively referred to as the "Group") set out on pages 23 to 69, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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

26 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	**370,848**	391,734
Cost of sales		**(344,830)**	(348,544)
Gross profit		**26,018**	43,190
Other income		**2,593**	2,803
Other gains and losses		**(2,848)**	620
Change in fair value of investment properties	16	**1,650**	800
Selling and distribution expenses		**(11,666)**	(11,963)
Administrative expenses		**(27,488)**	(25,481)
(Loss) profit before taxation		**(11,741)**	9,969
Income tax expense	10	**(1,441)**	(1,703)
(Loss) profit for the year	11	**(13,182)**	8,266
Other comprehensive (expense) income for the year			
Exchange differences arising from translation of foreign operations		**2,346**	2,169
Total comprehensive (expense) income for the year		**(10,836)**	10,435
(Loss) profit for the year attributable to:			
Owners of the Company		**(13,288)**	7,953
Non-controlling interests		**106**	313
		(13,182)	8,266
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(10,942)**	10,122
Non-controlling interests		**106**	313
		(10,836)	10,435
(Loss) earnings per share	13		
Basic		**(HK2.08 cents)**	HK1.24 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**69,064**	72,380
Prepaid lease payments	15	**9,797**	9,628
Investment properties	16	**6,750**	5,100
Available-for-sale investments	17	**1,189**	2,607
Club debenture	18	**560**	560
Deposits for land use rights		**655**	628
Deposits paid for acquisition of property, plant and equipment		**1,764**	1,999
Other receivable	20	**2,644**	–
		92,423	92,902
CURRENT ASSETS			
Inventories	19	**34,828**	33,977
Trade and other receivables	20	**102,786**	100,088
Bank balances and cash	21	**131,704**	94,176
		269,318	228,241
CURRENT LIABILITIES			
Trade and other payables	22	**167,006**	115,297
Amounts due to directors	23	**1,371**	1,371
Taxation payable		**24,077**	22,432
		192,454	139,100
NET CURRENT ASSETS		**76,864**	89,141
		169,287	182,043
CAPITAL AND RESERVES			
Share capital	24	**64,000**	64,000
Reserves		**104,590**	117,452
Equity attributable to owners of the Company		**168,590**	181,452
Non-controlling interests		**697**	591
		169,287	182,043

The consolidated financial statements on pages 23 to 69 were approved and authorised for issue by the Board of Directors on 26 March 2012 and are signed on its behalf by:

Pang Kuo-Shi	**Wong Chun**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Equity attributable to owners of the Company						
	Share capital HK$'000	**Merger reserve** HK$'000	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2010	32,000	680	7,107	137,943	177,730	239	177,969
Profit for the year	–	–	–	7,953	7,953	313	8,266
Other comprehensive income	–	–	2,169	–	2,169	–	2,169
Total comprehensive income for the year	–	–	2,169	7,953	10,122	313	10,435
Bonus issue of shares	32,000	–	–	(32,000)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	39	39
Dividends recognised as distribution (Note 12)	–	–	–	(6,400)	(6,400)	–	(6,400)
At 31 December 2010	64,000	680	9,276	107,496	181,452	591	182,043
Loss for the year	**–**	**–**	**–**	**(13,288)**	**(13,288)**	**106**	**(13,182)**
Other comprehensive income	**–**	**–**	**2,346**	**–**	**2,346**	**–**	**2,346**
Total comprehensive income (expense) for the year	**–**	**–**	**2,346**	**(13,288)**	**(10,942)**	**106**	**(10,836)**
Dividends recognised as distribution (Note 12)	**–**	**–**	**–**	**(1,920)**	**(1,920)**	**–**	**(1,920)**
At 31 December 2011	**64,000**	**680**	**11,622**	**92,288**	**168,590**	**697**	**169,287**

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the group reorganisation in 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(11,741)	9,969
Adjustments for:		
Interest income	(242)	(367)
Depreciation of property, plant and equipment	12,028	11,837
Amortisation of prepaid lease payments	234	224
Allowance (reversal of allowance) for inventories	2,051	(965)
Change in fair value of investment properties	(1,650)	(800)
Gain on disposal of prepaid lease payments	–	(353)
Loss (gain) on disposal of property, plant and equipment	140	(154)
Impairment loss on an available-for-sale investment	1,418	200
Operating cash flows before movements in working capital	2,238	19,591
Increase in inventories	(2,281)	(3,176)
(Increase) decrease in trade and other receivables	(2,678)	2,383
(Decrease) increase in trade and other payables	(5,310)	5,431
Cash (used in) generated from operations	(8,031)	24,229
Income taxes paid	(579)	(432)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(8,610)	23,797
INVESTING ACTIVITIES		
Advances received from third parties and a director	56,327	–
Interest received	242	367
Proceeds from disposal of property, plant and equipment	100	539
Purchase of property, plant and equipment	(5,959)	(11,900)
Advance paid for potential investments	(2,644)	–
Deposits paid for acquisition of property, plant and equipment	(91)	(1,999)
Purchase of available-for-sale investments	–	(1,241)
Proceeds from disposal of prepaid lease payments	–	405
NET CASH FROM (USED IN) INVESTING ACTIVITIES	47,975	(13,829)
FINANCING ACTIVITIES		
Dividends paid	(1,920)	(6,400)
Capital contribution from non-controlling interests	–	39
NET CASH USED IN FINANCING ACTIVITIES	(1,920)	(6,361)
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,445	3,607
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	94,176	90,180
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	83	389
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	131,704	94,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 Company is listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 30.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's classification and measurement of available-for-sale investments that are measured at cost less impairment at the end of the reporting period. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Currently, the Group does not have financial liabilities designated at fair value through profit or loss and accordingly not expect to have impact on the Group's financial liabilities.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

HKFRS 13 "Fair Value Measurement" *(Continued)*

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of HKFRS 13 may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of the items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Retirement benefit costs

Payments to the defined contribution retirement benefit plan, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Club debenture

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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 recognised at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimated allowance for doubtful debts of trade receivables

Estimated allowance for doubtful debts are provided and assessed based on the directors' estimation of the collectability of each individual debtor. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivables is HK$96,618,000 (2010: HK$92,736,000) (net of allowance for doubtful debts of HK$568,000 (2010: HK$568,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	228,783	187,719
Available-for-sale investments	1,189	2,607
Financial liabilities at amortised cost	155,003	103,058

(b) Financial risk management objectives and policies

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

(i) Market risk

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk (Continued)

Currency risk *(Continued)*

	2011	2010
	HK$'000	HK$'000
Assets		
USD (Note 1)	**2,784**	1,004
New Taiwan dollar ("NTD") (Note 2)	**4,760**	43
Renminbi ("RMB") (Note 2)	**6,895**	17,781
Euro dollar ("EUR") (Note 2)	**20,161**	–
Liabilities		
USD (Note 1)	**1,803**	–
NTD (Note 2)	**1,859**	3,979
RMB (Note 2)	**2,475**	1,828
EUR (Note 2)	**21,876**	–

Note 1: Functional currency of the respective subsidiaries is RMB/NTD.

Note 2: Functional currency of the respective subsidiaries is USD.

The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB, NTD and EUR. 5% is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in the foreign currency rates. A positive number (negative number) indicates a decrease in loss/an increase in profit (an increase in loss/a decrease in profit) where RMB, NTD and EUR strengthens against the USD.

	Impact of RMB		Impact of NTD		Impact of EUR	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Impact on loss/profit for the year	**221**	798	**87**	(197)	**(76)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. However, the directors consider the Group's exposure to such interest rate risks is not significant as bank balances are all short-term in nature.

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances at the end of the reporting period. A 4 (2010: 4) basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 4 (2010: 4) basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2011 would decrease/increase by HK$15,400 (2010: post-tax profit would increase/decrease by HK$2,700).

(ii) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective recognised assets as stated in the consolidated statement of financial position.

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

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. At 31 December 2011, the top five customers of the Group accounted for about 74.1% (2010: 67.8%) of the Group's trade receivables. 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 the end of the reporting period 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 bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company by maintaining an adequate level of bank balances and cash. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	0-30 days	31-90 days	91-365 days	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011					
Non-interest bearing	**109,060**	**37,427**	**8,516**	**155,003**	**155,003**
As at 31 December 2010					
Non-interest bearing	51,668	40,384	11,006	103,058	103,058

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

	2011	2010
	HK$'000	HK$'000
Sales of connectivity products mainly for computers and peripheral products	**370,848**	391,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. SEGMENT INFORMATION

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

Segment information reported internally for the purposes of resource allocation and performance assessment is analysed based on the class of customers which is the same as information reported to the chief operating decision makers. The Group is currently engaged in the sales of connectivity products to two classes of customers, namely, original equipment manufacturer customers ("OEM customers") and retail distributors. The Group's operating segments under HKFRS 8 are as follows:

	2011			2010		
	OEM customers HK$'000	**Retail distributors HK$'000**	**Total HK$'000**	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
OPERATING RESULTS						
SEGMENT REVENUE						
– External sales	**305,149**	**65,699**	**370,848**	321,451	70,283	391,734
SEGMENT PROFIT	**22,844**	**3,174**	**26,018**	35,846	7,343	43,189
Unallocated expenses			**(39,154)**			(37,443)
Other income			**2,593**			2,803
Other gains and losses			**(2,848)**			620
Change in fair value of investment properties			**1,650**			800
(Loss) profit before taxation			**(11,741)**			9,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

	2011 OEM customers HK$'000	2011 Retail distributors HK$'000	2011 Total HK$'000	2010 OEM customers HK$'000	2010 Retail distributors HK$'000	2010 Total HK$'000
ASSETS AND LIABILITIES						
SEGMENT ASSETS						
Trade receivables (Note)	**80,438**	**16,180**	**96,618**	75,248	17,488	92,736
Property, plant and equipment, prepaid lease payments and inventories (Note)			**113,923**			116,209
			210,541			208,945
Other unallocated assets			**151,200**			112,198
Total assets			**361,741**			321,143

The Group's segment liabilities are not regularly reviewed by the Group's executive directors.

OTHER INFORMATION (included in segment results)

	2011 OEM customers HK$'000	2011 Retail distributors HK$'000	2011 Total HK$'000	2010 OEM customers HK$'000	2010 Retail distributors HK$'000	2010 Total HK$'000
Depreciation	**9,897**	**2,131**	**12,028**	9,813	2,024	11,837

Note: The nature of products, the production processes and the methods used to distribute the products to the two classes of customers are similar. The Group's production facilities and inventories are located in the People's Republic of China (the "PRC"). These two classes of customers utilise the Group's resources in a similar manner. Accordingly, the Group's executive directors regularly review trade receivables by operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, the PRC, the Republic of China ("ROC") and Macau.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2011	2010
	HK$'000	HK$'000
ROC	**153,397**	188,791
Japan	**76,097**	79,641
United States of America	**41,524**	47,320
Korea	**94,581**	68,820
Others	**5,249**	7,162
	370,848	391,734

	Non-current assets (excluding available-for-sale investments, club debenture and other receivable)	
	2011	2010
	HK$'000	HK$'000
PRC	**79,577**	72,825
Hong Kong	**7,588**	16,086
Others	**865**	824
	88,030	89,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2011 **HK$'000**	2010 HK$'000
Customer A[1]	**99,053**	153,937
Customer B[2]	**44,313**	47,800

1 Revenue from OEM customers

2 Revenue from Retail distributors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

Directors

	Mr. Pang Kuo-Shi HK$'000	Mr. Wong Chun HK$'000	Mr. Hsia Chieh-Wen HK$'000	Mr. Wong Ngok Chung HK$'000	Dr. Lui Ming Wah, JP HK$'000	Mr. Lau Ho Kit, Ivan HK$'000	Mr. Wong Kwong Chi HK$'000	Total HK$'000
2011								
Fees	**–**	**–**	**–**	**–**	**88**	**–**	**88**	**176**
Other emoluments:								
Salaries and other benefits	**2,055**	**1,838**	**1,397**	**536**	**–**	**–**	**–**	**5,826**
Retirement benefit scheme contributions	**–**	**12**	**–**	**12**	**–**	**–**	**–**	**24**
	2,055	**1,850**	**1,397**	**548**	**88**	**–**	**88**	**6,026**
2010								
Fees	–	–	–	–	88	–	88	176
Other emoluments:								
Salaries and other benefits	2,055	1,838	1,397	536	–	–	–	5,826
Retirement benefit scheme contributions	–	12	–	12	–	–	–	24
	2,055	1,850	1,397	548	88	–	88	6,026

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, three (2010: three) were directors of the Company whose emoluments are included above. The emoluments of each of the remaining two (2010: two) individuals within the band of zero to HK$1,000,000 were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**1,084**	1,205
Retirement benefit scheme contributions	**35**	32
	1,119	1,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. INCOME TAX EXPENSE

The amount represents current tax charge on assessable profits arising in jurisdictions other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdictions. Majority of the subsidiaries are subject to tax in the PRC. The applicable enterprise income tax rate of the PRC is 25% (2010: 25%) in accordance with the relevant income tax law and regulations in the PRC, except for certain subsidiaries of the Company, which are taxed at preferential rate.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as there is no assessable profits for both years.

The taxation charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 **HK$'000**	2010 HK$'000
(Loss) profit before taxation	**(11,741)**	9,969
Tax at the domestic income tax rate of 25% (2010: 25%)	**(2,935)**	2,492
Tax effect of income not taxable for tax purpose	**(3,279)**	(3,837)
Tax effect of expenses not deductible for tax purpose	**6,558**	2,811
Tax effect of unrecognised tax losses	**1,084**	492
Effect of different tax rates of subsidiaries operating in other jurisdictions	**168**	131
Income tax on concessionary rate	**(155)**	(386)
Taxation charge for the year	**1,441**	1,703

At 31 December 2011, the Group has unused tax losses of HK$43,434,000 (2010: HK$39,098,000) 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 unused tax losses can be utilised. The tax losses arising from Hong Kong subsidiaries may be brought forward indefinitely while those arising from PRC subsidiaries may be brought forward for 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

11. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	HK$'000
(Loss) profit for the year has been arrived at after charging and (crediting):		
Directors' remuneration (note 9)	**6,026**	6,026
Other staff costs		
Salaries and other benefits	**66,487**	66,155
Retirement benefit scheme contributions (excluding directors)	**2,888**	2,588
Total staff costs	**75,401**	74,769
Auditor's remuneration	**715**	715
Depreciation of property, plant and equipment	**12,028**	11,837
Amortisation of prepaid lease payments	**234**	224
Cost of inventories recognised as expenses (including allowance for inventories of HK$2,051,000 (2010: Nil))	**344,830**	348,544
Impairment loss on an available-for-sale investment	**1,418**	200
Loss (gain) on disposal of property, plant and equipment	**140**	(154)
Gain on disposal of prepaid lease payments	**–**	(353)
Net foreign exchange loss (gain)	**1,290**	(313)
Interest income on bank deposits recorded as other income	**(242)**	(367)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2010 Final – HK0.3 cents (2010: 2009 final dividend of HK2.0 cents) per share	**1,920**	6,400

The final dividend of HK0.15 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK0.3 cents in respect of the year ended 31 December 2010) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year attributable to the owners of the Company	**(13,288)**	7,953
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**640,000**	640,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2010 has been adjusted for the bonus issue of shares on a one-to-one basis on 8 June 2010.

No dilutive (loss) earnings per share has been presented because the Company did not have any outstanding potential dilutive ordinary share during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. 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 2010	49,316	2,382	24,711	4,960	1,020	54,118	3,679	140,186
Currency realignment	2,067	–	332	168	43	2,353	126	5,089
Additions	1,636	1,043	2,106	407	242	6,145	321	11,900
Transfers	2,686	(3,406)	720	–	–	–	–	–
Disposals	–	–	(710)	–	–	–	(1,099)	(1,809)
At 31 December 2010	**55,705**	**19**	**27,159**	**5,535**	**1,305**	**62,616**	**3,027**	**155,366**
Currency realignment	**2,200**	**3**	**298**	**113**	**47**	**2,097**	**83**	**4,841**
Additions	**854**	**106**	**294**	**187**	**–**	**3,991**	**1,070**	**6,502**
Transfers	**–**	**(19)**	**–**	**–**	**–**	**19**	**–**	**–**
Disposals	**–**	**–**	**(314)**	**(142)**	**–**	**(82)**	**(485)**	**(1,023)**
At 31 December 2011	**58,759**	**109**	**27,437**	**5,693**	**1,352**	**68,641**	**3,695**	**165,686**
DEPRECIATION								
At 1 January 2010	5,564	–	15,425	3,736	959	42,153	2,543	70,380
Currency realignment	256	–	238	128	41	1,443	87	2,193
Provided for the year	1,104	–	4,583	606	44	5,117	383	11,837
Eliminated on disposals	–	–	(621)	–	–	–	(803)	(1,424)
At 31 December 2010	**6,924**	**–**	**19,625**	**4,470**	**1,044**	**48,713**	**2,210**	**82,986**
Currency realignment	**312**	**–**	**237**	**87**	**45**	**1,654**	**56**	**2,391**
Provided for the year	**1,191**	**–**	**3,538**	**534**	**19**	**6,162**	**584**	**12,028**
Eliminated on disposals	**–**	**–**	**(90)**	**(127)**	**–**	**(81)**	**(485)**	**(783)**
At 31 December 2011	**8,427**	**–**	**23,310**	**4,964**	**1,108**	**56,448**	**2,365**	**96,622**
CARRYING VALUES								
At 31 December 2011	**50,332**	**109**	**4,127**	**729**	**244**	**12,193**	**1,330**	**69,064**
At 31 December 2010	48,781	19	7,534	1,065	261	13,903	817	72,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

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

Buildings	2% or over the remaining term of the relevant lease, if shorter
Furniture and fixtures	20% – 33%
Office equipment	20% – 25%
Computer equipment	20%
Machinery	14% – 20%
Motor vehicles	17% – 20%

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

As at 31 December 2011, the Group has not yet obtained the legal title of the building with an aggregate carrying amount of HK$11,668,000 (2010: HK$11,455,000).

15. 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:

	2011 **HK$'000**	2010 HK$'000
Current asset (included in trade and other receivables)	**234**	224
Non-current asset	**9,797**	9,628
	10,031	9,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010	4,300
Increase in fair value recognised in profit or loss	800
At 31 December 2010	5,100
Increase in fair value recognised in profit or loss	1,650
At 31 December 2011	6,750

The investment properties are held under medium-term leases in Hong Kong and are rented out under operating leases.

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited, an independent qualified professional valuer not connected with the Group. Jointgoal Surveyors Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	HK$'000
Unlisted equity securities, at cost	**2,807**	2,807
Less: Impairment loss on unlisted equity securities	**(1,618)**	(200)
	1,189	2,607

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2011, the Group recognised impairment loss on certain available-for-sale investments, amounted to HK$1,618,000 (2010: HK$200,000), as the directors are of the opinion that the carrying amount of those investments cannot be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. CLUB DEBENTURE

The club debenture represents entrance fee paid to a golf club. The directors of the Company consider that no impairment is identified with reference to market price of the club debenture.

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials and consumables	**13,347**	14,881
Work in progress	**8,416**	7,992
Finished goods	**13,065**	11,104
	34,828	33,977

20. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**97,186**	93,304
Less: Allowance for doubtful debts	**(568)**	(568)
	96,618	92,736
Other receivables (Note)	**6,168**	7,352
Total trade and other receivables	**102,786**	100,088

Note: Other receivables mainly include prepayment to suppliers and deposits.

Other receivable of HK$2,644,000 (2010: Nil) included in non-current asset as at 31 December 2011 represents advances made to third parties to procure potential investment projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows an average credit period ranging from 30 days to 180 days in both years to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
0-30 days	**36,456**	34,780
31-120 days	**57,356**	56,043
121-180 days	**2,754**	1,612
Over 180 days	**52**	301
	96,618	92,736

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,900,000 (2010: HK$2,463,000) which have been past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 87 days (2010: 108 days).

Ageing of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	HK$'000
31-120 days	**1,848**	2,034
121-180 days	**–**	128
Over 180 days	**52**	301
	1,900	2,463

The Group has provided fully for receivables over 180 days if there are no more trading activities with the debtor because historical experience shows that such receivables are generally not recoverable.

There was no movement in the allowance for doubtful debts for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The amount of the Group's trade and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2011	2010
	HK$'000	HK$'000
USD	**2,036**	734
NTD	**–**	43

21. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits of HK$68,856,000 (2010: HK$57,888,000) at fixed interest rates ranging from 0.1% to 1.7% (2010: 0.07% to 1.00%) per annum and bank balances of HK$62,535,000 (2010: HK$35,248,000) at variable interest rates with effective interest rates ranging from 0.01% to 0.5% (2010: 0.01% to 0.05%) per annum.

The amount of the Group's bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2011	2010
	HK$'000	HK$'000
USD	**748**	270
NTD	**4,760**	–
RMB	**6,895**	17,781
EUR	**20,161**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. TRADE AND OTHER PAYABLES

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

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
Trade payables		
Within 30 days	**20,391**	24,743
31 – 90 days	**35,869**	38,014
91 – 150 days	**25,812**	25,297
Over 150 days	**3,144**	2,800
	85,216	90,854
Other payables (Note)	**81,790**	24,443
	167,006	115,297

Note: Other payables mainly comprise of payables for property, plant and equipment, construction in progress, receipt-in-advance, payables to consignees and other sundry creditors.

As at 31 December 2011, included in other payable are advances of HK$56,327,000 received from third parties and a director of the Company. The Group intends to cooperate with these parties to procure potential investments.

The amount of the Group's trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2011	2010
	HK$'000	HK$'000
USD	**1,803**	–
NTD	**1,859**	3,979
RMB	**2,475**	1,828
EUR	**21,876**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

23. AMOUNTS DUE TO DIRECTORS

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

24. SHARE CAPITAL

	Number of shares		Amount	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
Ordinary shares of HK$0.1 each	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**640,000**	320,000	**64,000**	32,000
Bonus issue of shares on a one-to-one basis (Note)	**–**	320,000	**–**	32,000
At end of the year	**640,000**	640,000	**64,000**	64,000

Note: On 8 June 2010, 320,000,000 ordinary shares of the Company of HK$0.1 each were issued on a one-to-one basis. Further details of the bonus issues were set out in the circular of the Company dated 5 May 2010.

25. COMMITMENTS

	2011	2010
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**1,325**	1,525
– establishment of an unlisted company with 6% capital injection	**931**	931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises was HK$1,669,000 (2010: HK$1,738,000).

At the end of the reporting period, the Group had no commitments (2010: HK$1,038,000 fall due within one year) for future minimum lease payments under non-cancellable operating leases in respect of rented premises.

Leases are negotiated for terms ranging from one to two years with fixed monthly rentals.

The Group as lessor

Property rental income earned during the year was HK$289,000 (2010: HK$138,000) before deduction of direct operating expenses of HK$5,000 (2010: HK$5,000).

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**146**	80
In the second to fifth year inclusive	**89**	–
	235	80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

27. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 13 December 2001 (the "Scheme") for the purpose of providing incentives to directors and eligible employees, the Company may grant options to executive directors and full-time employees of the Group to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

A nominal consideration of HK$1 is payable on acceptance of the grant of options. Options may be exercised at any time from the thirteenth month from the date of grant to the fifth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will be at least the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

No share options were granted under the Scheme since its adoption.

28. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme and a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong and the 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 5% and 6% of relevant payroll costs to the Mandatory Provident Fund Scheme and the defined contribution retirement benefit scheme respectively, which contribution is matched by employees. For contribution to Mandatory Provident Fund, the maximum amount is HK$1,000 per month.

Eligible staff of subsidiaries operating in the PRC currently participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries is required to contribute an amount of 10% on the covered payroll of its employees to the central pension scheme for the funding of the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of the eligible employees of the PRC subsidiaries.

The total cost charged to profit or loss in the consolidated statement of comprehensive income of HK$2,912,000 (2010: HK$2,612,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

29. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the related party balances disclosed in note 23, during the year, the Group entered into the following transactions with related and connected parties:

Name	Nature of transactions	2011 HK$'000	2010 HK$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	**158**	149
Billion Mass Limited ("Billion Mass")	Rental paid by the Group	**816**	700

Mr. Pang Kuo-Shi, Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% controlling interest in GM (Taiwan) and 100% controlling interest in Billion Mass. All the above related parties are also connected persons as defined under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange that constitutes connected transactions.

For the year ended 31 December 2011, the Group received an advance of HK$621,000 from Mr. Pang Kuo-Shi, a director of the Company, to procure potential investments.

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

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	2011	2010	
Asia-Link Technology Limited	Incorporated	British Virgin Islands/ ROC	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products in the USA, investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	**2011**	2010	
Asia-Link Technology Limited	Incorporated	Hong Kong	HK$100,000 Ordinary shares	**–**	–	**100%**	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$15,100,000 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products
Glory Mark Electronic Limited (Note a)	Incorporated	British Virgin Islands/ ROC	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products in South East Asia
Glory Mark Electronic Limited	Incorporated	Hong Kong	HK$100,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding and trading of connectivity products mainly for computers and peripheral products in Hong Kong,
Glory Mark Electronic Limited	Incorporated	Samoa/ ROC	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	**2011**	2010	
Glory Mark Development Limited (Note b)	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark International (Holdings) Limited ("Glory Mark International")	Incorporated	British Virgin Islands/ Hong Kong	US$400 Ordinary shares	**100%**	100%	**–**	–	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd. (Note c)	Wholly foreign-owned enterprise	PRC	HK$35,360,200 Paid up registered capital (Note c)	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$2,680,000 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products
蘇州亞聯電子有限公司 Suzhou Asia Link Electronic Limited	Wholly foreign-owned enterprise	PRC	US$230,000 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products
Link Win International Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2011	Directly 2010	Indirectly 2011	Indirectly 2010	Principal activities
Link Win (Macau) Limited	Incorporated	Macau	MOP25,000 Ordinary shares	–	–	**100%**	100%	Trading of connectivity products mainly for computers and peripheral products
Eastglory International Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	–	**100%**	100%	Investment holding
Gloryshine Limited ("Gloryshine")	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	–	**44.4%**	44.4% (Note d)	Marketing agent of the Group for selling the Group's product
Glory Mark Wire & Cable Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	–	**90%**	90%	Inactive during the year
Glory Mark Industrial Limited (Note e)	Incorporated	British Virgin Islands/ Hong Kong	US$1 Ordinary share	–	–	**100%**	–	Inactive during the year
Glory Mark Electronic Industrial Limited (Note e)	Incorporated	Hong Kong	HK$100,000 Ordinary share	–	–	**100%**	–	Inactive during the year
Glory Mark Technology Limited (Note e)	Incorporated	Samoa/ Hong Kong	US$1 Ordinary share	–	–	**100%**	–	Inactive during the year

Notes:

(a) The subsidiary had established a branch, namely Glory Mark Electronic Limited – Taiwan Branch (the "GME Branch") in the ROC. The GME Branch is engaged in trading of connectivity products mainly for computers and peripheral products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(b) The subsidiary had established a branch, namely Glory Mark Development Limited – Taiwan Branch (the "GMD Branch") in the ROC. The GMD Branch is engaged in trading of connectivity products mainly for computers and peripheral products.

(c) At 31 December 2011, the registered capital was HK$35,360,200 (2010: HK$35,360,000) of which HK$35,360,200 (2010: HK$34,504,640) had been paid up by the Group.

(d) Pursuant to the shareholders' agreement, Glory Mark International has two voting rights per each ordinary share held while the other shareholders shall have one voting right per each ordinary share held. Therefore, the Group indirectly owns 61.5% voting right and Gloryshine has been accounted for as a subsidiary of the Company.

(e) The companies were newly incorporated during the year.

None of the subsidiaries had issued any debt securities at the end of the year or at anytime during the year.

31. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2011 is as follows:

	2011	2010
	HK$'000	HK$'000
Investment in subsidiary	**34,045**	34,045
Amount due from subsidiaries	**77,652**	80,846
Other assets	**883**	1,197
Other payables	**(391)**	(437)
Total assets and liabilities	**112,189**	115,651
CAPITAL AND RESERVES		
Share capital	**64,000**	64,000
Retained profits	**48,189**	51,651
	112,189	115,651

FINANCIAL SUMMARY

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	523,541	498,734	370,446	391,734	**370,848**
Profit (loss) for the year	20,482	8,066	24,645	8,266	**(13,182)**
Profit (loss) for the year attributable to:					
Owners of the Company	20,482	8,066	24,855	7,953	**(13,288)**
Non-controlling interests	–	–	(210)	313	**106**
	20,482	8,066	24,645	8,266	**(13,182)**

	At 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	343,989	285,763	308,451	321,143	**361,741**
Total liabilities	(193,923)	(129,681)	(130,482)	(139,100)	**(192,454)**
Shareholders' funds	150,066	156,082	177,969	182,043	**169,287**
Shareholder's funds attributable to:					
Owners of the Company	150,066	156,082	177,730	181,452	**168,590**
Non-controlling interests	–	–	239	591	**697**
	150,066	156,082	177,969	182,043	**169,287**