GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENCE NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Chan Man Yi, *HKICPA*

AUTHORISED REPRESENTATIVE

Pang Kuo-Shi
Wong Chun

COMPLIANCE OFFICER

Wong Chun

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-110
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,

After experienced the first operating loss year of 2011 since its listing, the Group succeeded in turning into a profit position in 2012 though faced a very tough operating environment throughout the year.

The Group achieved a revenue and net profit attributable to shareholders of approximately HK$291.4 million and HK$4.9 million for the year ended 31 December 2012 (2011: a revenue of HK$370.8 million and a net loss of HK$13.3 million respectively).

The operating environment was challenging in 2012. The Group was suffered from the significant uptick in wages and shortage of labour in PRC, which seriously affected the performance of the Group. We anticipated that these adverse effects will continue to be challenges to the Group in 2013. The Group is seeking for alternative production site in ASEAN countries in order to minimise these unfavourable effects.

To share the results with our honourable shareholders, the Directors proposed a final dividend of HK0.30 cents per share, which is subject to approval by members in the coming annual general meeting.

DIVIDEND

The 2012 final dividend of HK0.30 cents (2011: 0.15 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting. The final dividend will be payable on 11 June 2013, Tuesday to the shareholders whose names appear on the register on Members of the Company on 14 May 2013.

CLOSURE OF REGISTER FOR AGM

The register of members of the Company will be closed from 3 May 2013, Friday to 7 May 2013, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered on those dates. In order to qualify to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 2 May 2013, Thursday.

CHAIRMAN'S STATEMENT

CLOSURE OF REGISTER FOR FINAL DIVIDEND

The register of members of the Company will be closed from 14 May 2013, Tuesday to 16 May 2013, Thursday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to the proposed final dividend upon the passing of relevant resolution. No transfer of the Shares may be registered on those dates. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 13 May 2013, Monday.

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

Pang Kuo-Shi
Chairman
Hong Kong, 26 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2012, the Group recorded a consolidated turnover of approximately HK$291.4 million (2011: approximately HK$370.8 million), representing a decrease of approximately 21.4% as compared to the corresponding previous year.

Revenue to OEM customers and retail distributors were approximately HK$237.3 million and 54.0 million respectively, decreased by approximately 22.2% and 17.8% respectively as compared to 2011. In terms of geographical segments analysis, the turnover to ROC, Japan, USA and Korea decreased by approximately 45.7%, 5.4%, 1.4% and 7.2% respectively. Revenue to the other regions increased by approximately 40.4%.

Gross profit margin was 12.7% in 2012 as compared to 7.0% in 2011. The increase in gross profit margin was mainly due to the marketing strategy adopted in 2012. During the discussing year, the Group rejected the orders with very low or negative gross profit margins from all the customers. As a consequence, the Group recorded a lower turnover in the discussing year. Despite of these, the Group managed to achieve a net profit attributable to shareholders of approximately HK$4.9 million for the year ended 31 December 2012 (2011: a net loss of approximately HK$13.3 million).

Other income

Other income was approximately HK$3.6 million as compared to approximately HK$2.6 million in 2011. During 2012, the Group placed its surplus cash into Renminbi deposits. The increase in other income during the discussing year was mainly attributable to the gain in exchange and the higher interest rates of the captioned deposits.

Selling and distribution expenses

Selling and distribution expenses decreased by 7.0% to approximately HK$10,845,000 in 2012 (2011: approximately HK$11,666,000). The decrease was in line with the turnover between the two comparative years.

Administrative expenses

Administrative expenses decreased by 3.6% to approximately HK$26,502,000 in 2012, compared to approximately HK$27,488,000 in 2011, which was a result of effective cost control exercised by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial cost

The Group did not incur any financial cost in both 2012 and 2011.

Income tax expenses

The Group recorded an income tax expenses of approximately HK$1,648,000 in 2012, compared to HK$1,441,000 in 2011.

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company was approximately HK$4,901,000 in 2012, compared to a loss of approximately HK$13,288,000 in 2011.

YEAR IN REVIEW

Liquidity and Financial Resources

As at 31 December 2012, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$82.2 million (2011: HK$76.9 million), HK$158.0 million (2011: HK$131.7 million) and HK$172.9 million (2011: HK$168.6 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of 1.50 (2011: 1.40). The Group had no bank borrowing 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 54 engineers/technicians in the research and development department as at 31 December 2012.

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 2012, the Group had 1,245 (2011: 1,652) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2012 was approximately HK$63.5 million (2011: HK$69.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 4.78%, 46.39%, 33.15% and 15.68% respectively for the year ended 31 December 2012. (2011: 6.82%, 52.76%, 26.79% and 13.63% respectively).

Prospect

The Directors anticipated that the weak economic recovery in U.S.A. and the European countries, the significant uptick in wages and shortage of labour in PRC will continue to weigh on our industry in 2013. The Group is seeking for alternative production site in ASEAN countries in order to minimise part of these unfavourable effects.

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 HK0.30 cents (2011: 0.15 cents) per share, which is subject to the approval by the shareholders in annual general meeting for the year ended 31 December 2012. The final dividend will be payable on 11 June 2013, Tuesday to the shareholders whose names appear on the register on Members of the Company on 14 May 2013, Tuesday.

Closure of Register for Annual General Meeting

The register of members of the Company will be closed from 3 May 2013, Friday to 7 May 2013, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered on those dates. In order to qualify to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 2 May 2013, Thursday.

Closure of Register for Dividend

The register of members of the Company will be closed from 14 May 2013, Tuesday to 16 May 2013, Thursday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to the proposed final dividend upon the passing of relevant resolution. No transfer of the Shares may be registered on those dates. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 13 May 2013, Monday.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also known as Steve Pang (**龐國璽**), aged 56, 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 32 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 53, 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 28 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, Life Honorary 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 51, 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 24 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independence non-executive Directors

Dr. Lui Ming Wah (呂明華), Ph.D., SBS, JP, aged 74, 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 non-executive 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 54, 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 61, 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 China.com Inc (HKGEM: 8006). 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 Overseers 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

Ms. Chan Man Yi (陳敏儀), aged 48, is the company secretary of the Group. Ms. Chan graduated from the Hong Kong Polytechnic University with a Master degree in professional accounting and has over 22 years of experience in pension and provident fund industry. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Chan joined the Group in December 2012.

Mr. Chui Wing Kit (徐永傑), aged 55, 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 51, 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 27 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 54, 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 2012.

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 24.2% and 36.8%, respectively, of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 22.0% and 65.3%, 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 own 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 23.

The directors now recommend the payment of a final dividend of HK0.3 cents per share to the shareholders on the register of members on 14 May 2013, amounting to HK$1,920,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 December 2012. The increase in fair value of investment properties, which has been credited directly to the consolidated statement of comprehensive income, amounted to HK$3,950,000 (2011: HK$1,650,000).

The Group expended HK$2,387,000 (2011: HK$6,502,000) 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 2012 comprised the retained profits of HK$45,965,000 (2011: HK$48,189,000).

DIRECTORS

The directors of the Company during the year ended 31 December 2012 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 (Deceased on 3 December 2012)

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 and Mr. Hsia Chieh-Wen 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

At 31 December 2012, 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 2012.

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 2012, no share options were granted or exercised. As at 31 December 2012, 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 2012 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 2012.

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 2012.

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 (2011: HK$158,000) 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 confirm that the transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions and are fair and reasonable and in the interest of the shareholders 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 or at any time during the year ended 31 December 2012.

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 2012.

DONATIONS

During the year ended 31 December 2012, the Group made charitable and other donations amounting to HK$21,000.

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 2013

CORPORATE GOVERNANCE REPORT

The Company complied throughout the year ended 31 December 2012 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 six directors, with three executive directors, namely, Mr. Pang Kuo-Shi (Chairman), Mr. Wong Chun (Vice Chairman and Chief Executive Officer) and Mr. Hsia Chieh-Wen 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 2012, 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 *(Deceased 3 December 2012)*	1/4
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 26 March 2013 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 2013.

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 2012 amounted to HK$680,000 and HK$44,200 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 2012, 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

On 26 March 2012, the Board has established a Nomination Committee pursuant to the requirements of the Revised Code. The Committee adopted the following procedure and criteria for nomination of Directors:

1. Procedure for Nomination of Directors

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

The Nomination Committee established on 26 March 2012 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 73, which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, and of the Group's profit 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 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	7	**291,376**	370,848
Cost of sales		**(254,418)**	(344,830)
Gross profit		**36,958**	26,018
Other income		**3,568**	2,593
Other gains and losses		**(214)**	(2,848)
Change in fair value of investment properties	16	**3,950**	1,650
Selling and distribution expenses		**(10,845)**	(11,666)
Administrative expenses		**(26,502)**	(27,488)
Profit (loss) before taxation		**6,915**	(11,741)
Income tax expense	10	**(1,648)**	(1,441)
Profit (loss) for the year	11	**5,267**	(13,182)
Other comprehensive income for the year			
Exchange differences arising from translation of foreign operations		**365**	2,346
Total comprehensive income (expense) for the year		**5,632**	(10,836)
Profit (loss) for the year attributable to:			
Owners of the Company		**4,901**	(13,288)
Non-controlling interests		**366**	106
		5,267	(13,182)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**5,266**	(10,942)
Non-controlling interests		**366**	106
		5,632	(10,836)
Earnings (loss) per share	13		
Basic		**HK0.77 cents**	(HK2.08 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	**2012 HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**62,635**	69,064
Prepaid lease payments	15	**9,630**	9,797
Investment properties	16	**10,700**	6,750
Available-for-sale investments	17	**4,469**	1,189
Club debenture	18	**560**	560
Deposits for land use rights		**660**	655
Deposits paid for acquisition of property, plant and equipment		**1,705**	1,764
Other receivable	20	**1,342**	2,644
		91,701	92,423
CURRENT ASSETS			
Inventories	19	**24,367**	34,828
Trade and other receivables	20	**63,072**	102,786
Bank balances and cash	21	**157,985**	131,704
		245,424	269,318
CURRENT LIABILITIES			
Trade and other payables	22	**135,979**	167,006
Amounts due to directors	23	**1,371**	1,371
Taxation payable		**25,856**	24,077
		163,206	192,454
NET CURRENT ASSETS		**82,218**	76,864
		173,919	169,287
CAPITAL AND RESERVES			
Share capital	24	**64,000**	64,000
Reserves		**108,896**	104,590
Equity attributable to owners of the Company		**172,896**	168,590
Non-controlling interests		**1,023**	697
		173,919	169,287

The consolidated financial statements on pages 23 to 73 were approved and authorised for issue by the Board of Directors on 26 March 2013 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 2012

	Equity attributable to owners of the Company						
	Share capital	**Merger reserve**	**Translation reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	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
Profit for the year	**–**	**–**	**–**	**4,901**	**4,901**	**366**	**5,267**
Other comprehensive income	**–**	**–**	**365**	**–**	**365**	**–**	**365**
Total comprehensive income for the year	**–**	**–**	**365**	**4,901**	**5,266**	**366**	**5,632**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(40)**	**(40)**
Dividends recognised as distribution (Note 12)	**–**	**–**	**–**	**(960)**	**(960)**	**–**	**(960)**
At 31 December 2012	**64,000**	**680**	**11,987**	**96,229**	**172,896**	**1,023**	**173,919**

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 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**6,915**	(11,741)
Adjustments for:		
Interest income	**(999)**	(242)
Depreciation of property, plant and equipment	**9,178**	12,028
Amortisation of prepaid lease payments	**238**	234
(Reversal of allowance) allowance for inventories	**(604)**	2,051
Change in fair value of investment properties	**(3,950)**	(1,650)
Loss on disposal of property, plant and equipment	**28**	140
Impairment loss on available-for-sale investments	**317**	1,418
Operating cash flows before movements in working capital	**11,123**	2,238
Decrease (increase) in inventories	**10,960**	(2,281)
Decrease (increase) in trade and other receivables	**39,692**	(2,678)
Decrease in trade and other payables	**(30,978)**	(5,310)
Cash generated from (used in) operations	**30,797**	(8,031)
Income taxes paid	**(33)**	(579)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**30,764**	(8,610)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,296)**	(5,959)
Purchase of available-for-sale investments	**(2,045)**	–
Advance paid for potential investments	**(250)**	(2,644)
Interest received	**999**	242
Deposits paid for acquisition of property, plant and equipment	**–**	(91)
Proceeds from disposal of property, plant and equipment	**–**	100
Advances received from third parties and a director	**–**	56,327
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(3,592)**	47,975
FINANCING ACTIVITIES		
Dividends paid	**(960)**	(1,920)
Acquisition of additional interest in a subsidiary	**(40)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(1,000)**	(1,920)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**26,172**	37,445
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**131,704**	94,176
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**109**	83
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**157,985**	131,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes in relation to the fair value gain or loss of investment properties. The amendments to HKAS 12 have been applied retrospectively.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties.

The application of the amendments has had no impact on profit and loss in the current or prior year as the deferred tax liabilities recognised on the fair value change of the investment properties was fully offset by the deferred tax assets recognised on unused tax losses.

The application of the other amendments to 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 2012

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

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" *(continued)*

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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:

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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.

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 2012

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 the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

Income and expenses 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.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 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 subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of 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 values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

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

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

Leasehold land and building

When 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 foreign 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 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss.

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 with finite useful lives 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets *(continued)*

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 of inventories are 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.

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 (share options reserve).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions *(continued)*

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

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, 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 and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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.

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 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).

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, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 180 days 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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.

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 investment will not be reserved in profit or loss in subsequent periods.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

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.

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.

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 financial liabilities 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

Deferred taxation on investment properties

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

Key source of estimation uncertainty

The following is the key source of estimation uncertainty at the end of the reporting period that has a significant risk of cursing a material adjustment to the carrying amount of asset within the next financial year.

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 2012, the carrying amount of trade receivables is HK$54,449,000 (2011: HK$96,618,000) (net of allowance for doubtful debts of HK$568,000 (2011: HK$568,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**212,567**	228,783
Available-for-sale investments	**4,469**	1,189
Financial liabilities at amortised cost	**123,481**	155,003

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, available-for-sale investments, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk

Currency risk

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

	2012	2011
	HK$'000	HK$'000
Assets		
USD (Note 1)	**862**	2,784
New Taiwan dollar ("NTD") (Note 2)	**5,069**	4,760
Renminbi ("RMB") (Note 2)	**97,972**	6,895
Euro dollar ("EUR") (Note 2)	**12**	20,161
Liabilities		
USD (Note 1)	**–**	1,803
NTD (Note 2)	**15,603**	1,859
RMB (Note 2)	**1,397**	2,475
EUR (Note 2)	**18**	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 an increase in profit/a decrease in loss (a decrease in profit/an increase in loss) where RMB, NTD and EUR strengthens against the USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Market risk (continued)

Currency risk *(continued)*

	Impact of RMB		Impact of NTD		Impact of EUR	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Impact on profit/loss for the year	**4,829**	221	**(586)**	87	**–**	(76)

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 21 for details) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see note 21 for details). In relation to the fixed-rate bank deposits, the directors consider the Group's exposure to fair value interest rate risks is not significant as these deposits are all short-term in nature.

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances at the end of the reporting period. A 4 (2011: 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 (2011: 4) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would increase/decrease by HK$4,400 (2011: post-tax loss would decrease/increase by HK$15,400).

In management's opinion, the sensitivity analysis is unpresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS *(continued)*

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

(ii) Credit risk

As at 31 December 2012, 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 2012, the top five customers of the Group accounted for about 60.8% (2011: 74.1%) of the Group's trade receivables, all of which are engaged in business of connectivity products with good reputation. 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 2012

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.

	On demand or less than 30 days	31-90 days	91-365 days	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2012					
Non-interest bearing					
Trade and other payables	**81,431**	**23,747**	**16,932**	**122,110**	**122,110**
Amount due to directors	**1,371**	**–**	**–**	**1,371**	**1,371**
	82,802	**23,747**	**16,932**	**123,481**	**123,481**
As at 31 December 2011					
Non-interest bearing					
Trade and other payables	107,689	37,427	8,516	153,632	153,632
Amount due to directors	1,371	–	–	1,371	1,371
	109,060	37,427	8,516	155,003	155,003

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. REVENUE

	2012 HK$'000	2011 HK$'000
Sales of connectivity products mainly for computers and peripheral products	**291,376**	370,848

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:

	2012			2011		
	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
SEGMENT REVENUE						
– External sales	**237,345**	**54,031**	**291,376**	305,149	65,699	370,848
SEGMENT PROFIT	**31,281**	**5,677**	**36,958**	22,844	3,174	26,018
Unallocated expenses			**(37,347)**			(39,154)
Other income			**3,568**			2,593
Other gains and losses			**(214)**			(2,848)
Change in fair value of investment properties			**3,950**			1,650
Profit (loss) before taxation			**6,915**			(11,741)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

8. SEGMENT INFORMATION *(continued)*

	2012			2011		
	OEM customers HK$'000	**Retail distributors HK$'000**	**Total HK$'000**	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
ASSETS AND LIABILITIES						
SEGMENT ASSETS						
Trade receivables (Note)	**41,683**	**12,766**	**54,449**	80,438	16,180	96,618
Property, plant and equipment, prepaid lease payments and inventories (Note)			**96,870**			113,923
			151,319			210,541
Other unallocated assets			**185,806**			151,200
Total assets			**337,125**			361,741

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

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 property, plant and equipment, prepaid lease payments and receivables are not separately allocated to the individual segments. In contrast, the Group's executive directors regularly review trade receivables by operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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	
	2012	2011
	HK$'000	HK$'000
ROC	**83,362**	153,397
Japan	**72,004**	76,097
United States of America	**40,885**	41,524
Korea	**87,753**	94,581
Others	**7,372**	5,249
	291,376	370,848

	Non-current assets (excluding available–for-sale investments, club debenture and other receivable)	
	2012	2011
	HK$'000	HK$'000
PRC	**73,499**	79,577
Hong Kong	**11,211**	7,588
Others	**620**	865
	85,330	88,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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:

	2012 **HK$'000**	2011 HK$'000
Customer A[1]	**64,104**	56,102
Customer B[1]	**44,560**	99,053
Customer C[2]	**42,710**	44,313

1 Revenue from OEM customers

2 Revenue from Retail distributors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

9. DIRECTORS' AND CHIEF EXECUTIVE'S 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
2012								
Fees	**–**	**–**	**–**	**–**	**88**	**–**	**88**	**176**
Other emoluments:								
Salaries and other benefits	**2,048**	**1,838**	**1,438**	**476**	**–**	**–**	**–**	**5,800**
Retirement benefit scheme contributions	**–**	**14**	**–**	**12**	**–**	**–**	**–**	**26**
	2,048	**1,852**	**1,438**	**488**	**88**	**–**	**88**	**6,002**
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

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 (2011: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2011: two) individuals, each of whom has emoluments falling within the band of zero to HK$1,000,000, were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**1,114**	1,084
Retirement benefit scheme contributions	**37**	35
	1,151	1,119

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For the year ended 31 December 2012

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

Mr. Wong Chun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

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 enterprise income tax in the PRC. The applicable enterprise income tax rate of the PRC is 25% (2011: 25%) in accordance with the relevant income tax law and regulations in the PRC, except for certain subsidiaries of the companies, which are taxed at a preferential rate in 2011. These tax concessions expired in 2011.

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 profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2012 **HK$'000**	2011 HK$'000
Profit (loss) before taxation	**6,915**	(11,741)
Tax at the domestic income tax rate of 25% (2011: 25%)	**1,729**	(2,935)
Tax effect of income not taxable for tax purpose	**(3,089)**	(3,279)
Tax effect of expenses not deductible for tax purpose	**2,328**	6,558
Tax effect of unrecognised tax losses	**590**	1,084
Effect of different tax rates of subsidiaries operating in other jurisdictions	**90**	168
Income tax on concessionary rate 12.5%	**–**	(155)
Taxation charge for the year	**1,648**	1,441

At 31 December 2012, the Group has unused tax losses of HK$13,767,000 (2011: HK$11,407,000) 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. Unused tax losses related to PRC subsidiaries amounted to HK$2,507,000 (2011: HK$611,000) and will expire between 2013 and 2017 (2011: between 2012 and 2016).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. PROFIT (LOSS) FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit (loss) for the year has been arrived at after charging and (crediting):		
Directors' remuneration (note 9)	**6,002**	6,026
Other staff costs		
Salaries and other benefits	**60,236**	66,487
Retirement benefit scheme contributions (excluding directors)	**3,304**	2,888
Total staff costs	**69,542**	75,401
Auditor's remuneration	**715**	715
Depreciation of property, plant and equipment	**9,178**	12,028
Amortisation of prepaid lease payments	**238**	234
Cost of inventories recognised as expenses (including reversal of allowance for inventories of HK$604,000 (2011: allowance of inventories of HK$2,051,000))	**254,418**	344,830
Impairment loss on available-for-sale investments	**317**	1,418
Loss on disposal of property, plant and equipment	**28**	140
Net foreign exchange (gain) loss	**(131)**	1,290
Interest income on bank deposits recorded as other income	**(999)**	(242)

12. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final – HK0.15 cents (2011: 2010 final dividend of HK0.3 cents) per share	**960**	1,920

The final dividend of HK0.30 cents in respect of the year ended 31 December 2012 (2011: final dividend of HK0.15 cents in respect of the year ended 31 December 2011) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. EARNINGS (LOSS) PER SHARE

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

	2012	2011
	HK$'000	HK$'000
Profit (loss) for the year attributable to the owners of the Company	**4,901**	(13,288)
	'000	'000
Number of ordinary shares for the purpose of basic earnings (loss) per share	**640,000**	640,000

No diluted earnings (loss) 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 2012

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 2011	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**
Currency realignment	**421**	**(1)**	**78**	**38**	**8**	**439**	**36**	**1,019**
Additions	**–**	**–**	**709**	**58**	**–**	**1,620**	**–**	**2,387**
Transfers	**–**	**(108)**	**108**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(49)**	**–**	**–**	**–**	**–**	**(49)**
At 31 December 2012	**59,180**	**–**	**28,283**	**5,789**	**1,360**	**70,700**	**3,731**	**169,043**
DEPRECIATION								
At 1 January 2011	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**
Currency realignment	**76**	**–**	**73**	**39**	**8**	**401**	**32**	**629**
Provided for the year	**1,211**	**–**	**2,223**	**333**	**10**	**4,984**	**417**	**9,178**
Eliminated on disposals	**–**	**–**	**(21)**	**–**	**–**	**–**	**–**	**(21)**
31 December 2012	**9,714**	**–**	**25,585**	**5,336**	**1,126**	**61,833**	**2,814**	**106,408**
CARRYING VALUES								
At 31 December 2012	**49,466**	**–**	**2,698**	**453**	**234**	**8,867**	**917**	**62,635**
At 31 December 2011	50,332	109	4,127	729	244	12,193	1,330	69,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012, the Group has not yet obtained the legal title of the buildings with an aggregate carrying amount of HK$11,491,000 (2011: HK$11,668,000).

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:

	2012	2011
	HK$'000	HK$'000
Non-current asset	**9,630**	9,797
Current asset (included in trade and other receivables)	**238**	234
	9,868	10,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2011	5,100
Increase in fair value recognised in profit or loss	1,650
At 31 December 2011	6,750
Increase in fair value recognised in profit or loss	3,950
At 31 December 2012	10,700

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 2012 and 2011 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

	2012 HK$'000	2011 HK$'000
Unlisted equity securities, at cost	**6,404**	2,807
Less: Impairment loss on unlisted equity securities	**(1,935)**	(1,618)
	4,469	1,189

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 2012, the Group recognised an impairment loss on certain available-for-sale investments, in which one of the available-for-sale investments was fully impaired, amounting to HK$1,935,000 (2011: HK$1,618,000), 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 2012

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

	2012 HK$'000	2011 HK$'000
Raw materials and consumables	**8,804**	13,347
Work in progress	**3,452**	8,416
Finished goods	**12,111**	13,065
	24,367	34,828

20. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**55,017**	97,186
Less: Allowance for doubtful debts	**(568)**	(568)
	54,449	96,618
Other receivables, prepayment to suppliers and deposits	**8,623**	6,168
Total trade and other receivables	**63,072**	102,786

Other receivable classified as non-current asset as at 31 December 2012 of HK$1,342,000 (2011: HK$2,644,000) represents advances made to third parties to procure potential investment projects which are refundable. The amount will be transferred to available-for-sale investments upon share allotment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

20. TRADE AND OTHER RECEIVABLES *(continued)*

The Group allows an average credit period ranging from 30 to 180 days 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 which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	HK$'000
0-30 days	**19,605**	36,456
31-120 days	**33,577**	57,356
121-180 days	**965**	2,754
Over 180 days	**302**	52
	54,449	96,618

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$2,204,000 (2011: HK$1,900,000) 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 95 days (2011: 87 days).

Ageing of trade receivables which are past due but not impaired

	2012	2011
	HK$'000	HK$'000
31-120 days	**948**	1,848
121-180 days	**954**	–
Over 180 days	**302**	52
	2,204	1,900

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 2012

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:

	2012 **HK$'000**	2011 HK$'000
USD	**380**	2,036

21. BANK BALANCES AND CASH

Bank balances comprise short-term bank deposits with the original maturity of three months or less of HK$122,716,000 (2011: HK$68,856,000) at fixed interest rates ranging from 0.28% to 3.28% (2011: 0.1% to 1.7%) per annum and bank balances of HK$34,078,000 (2011: HK$62,535,000) at variable interest rates with effective interest rates ranging from 0.003% to 0.35% (2011: 0.01% to 0.5%) per annum and cash balance of HK$1,191,000 (2011: HK$313,000).

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:

	2012 **HK$'000**	2011 HK$'000
USD	**482**	748
NTD	**5,069**	4,760
RMB	**97,972**	6,895
EUR	**12**	20,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

22. TRADE AND OTHER PAYABLES

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

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

	2012	2011
	HK$'000	HK$'000
Trade payables		
Within 30 days	**12,857**	20,391
31 – 90 days	**23,747**	35,869
91 – 150 days	**13,793**	25,812
Over 150 days	**3,140**	3,144
	53,537	85,216
Other payables (Note)		
Temporary receipt for potential investments	**56,327**	56,327
Receipt-in-advance	**2,742**	2,644
Others	**23,373**	22,819
	82,442	81,790
	135,979	167,006

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

As at 31 December 2012, included in other payable are temporary receipt for potential investments of HK$56,327,000 (2011: HK$56,327,000) received from third parties. The Group intends to cooperate with these parties to procure potential investments. The amount is refundable to third parties upon request. The negotiation for the potential investments is an on-going basis. Upon finalisation of the terms, the amount will be transferred to the counterparty as the investment cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

22. TRADE AND OTHER PAYABLES *(continued)*

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:

	2012	2011
	HK$'000	HK$'000
USD	**–**	1,803
NTD	**15,603**	1,859
RMB	**1,397**	2,475
EUR	**18**	21,876

23. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest free and repayable on demand. One of the directors is also a shareholder who has significant influence over the Company.

24. SHARE CAPITAL

	Number of shares		**Amount**	
	2012	2011	**2012**	2011
	'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:				
Ordinary shares of HK$0.1 each	**640,000**	640,000	**64,000**	64,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

25. COMMITMENTS

	2012 HK$'000	2011 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**1,206**	1,325
– establishment of an unlisted company in which the Group will have 6% equity interest	**–**	931

26. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises was HK$1,385,000 (2011: HK$1,669,000).

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

	2012 HK$'000	2011 HK$'000
Within one year	**1,255**	–

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

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For the year ended 31 December 2012

26. OPERATING LEASES *(continued)*

The Group as lessor

Property rental income earned during the year was HK$160,000 (2011: HK$289,000) before deduction of direct operating expenses of HK$6,000 (2011: HK$5,000).

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

	2012	2011
	HK$'000	HK$'000
Within one year	**93**	146
In the second to fifth year inclusive	**–**	89
	93	235

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 the Mandatory Provident Fund, the maximum amount is HK$1,000 from 1 January 2012 to 31 May 2012 and HK$1,250 onwards (2011: 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$3,330,000 (2011: HK$2,912,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

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**	**2012 HK$'000**	2011 HK$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	**158**	158
Billion Mass Limited ("Billion Mass")	Rental paid by the Group	**804**	816
San Chen Company ("San Chen")	Rental paid by the Group	**158**	158
Yu Lan	Rental paid by the Group	**126**	–

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For the year ended 31 December 2012

29. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

Mr. Pang Kuo-Shi, director and shareholder with significant influence over the Company, and Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and substantial shareholders of the Company, together hold 79% controlling interest in GM (Taiwan) and 100% controlling interest in Billion Mass. San Chen is 40% owned by Mr. Pang Kuo-Shi and Yu Lan is the spouse of Mr. Pang Kuo-Shi. 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 your ended 31 December 2011, the Group received an advance of HK$621,000 from Mr. Pang Kuo-Jang, a connected party 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 2012 and 2011 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		
				2012	2011	**2012**	2011	
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
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

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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		
				2012	2011	**2012**	2011	
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
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.	Wholly foreign-owned enterprise	PRC	HK$35,360,200 Paid up registered capital	**–**	–	**100%**	100%	Manufacture of connectivity products mainly for computers and peripheral products

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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		
				2012	2011	**2012**	2011	
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 (Note c)	Wholly foreign-owned enterprise	PRC	US$230,000 Paid up registered capital	**–**	–	**–**	100%	Inactive
Link Win International Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
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	**–**	–	**100% (Note e)**	90%	Inactive

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For the year ended 31 December 2012

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		
				2012	2011	**2012**	2011	
Glory Mark Industrial Limited	Incorporated	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100%**	100%	Inactive
Glory Mark Electronic Industrial Limited	Incorporated	Hong Kong	HK$100,000 Ordinary share	**–**	–	**100%**	100%	Inactive
Glory Mark Technology Limited	Incorporated	Samoa/ Hong Kong	US$1 Ordinary share	**–**	–	**100%**	100%	Inactive

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.

(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) The subsidiary is deregistered during the year.

(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 remaining 10% of equity interest of the subsidiary is acquired during the year for a cash consideration of HK$40,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Company as at 31 December 2012 is as follows:

	2012	2011
	HK$'000	HK$'000
NON CURRENT ASSETS		
Property, plant and equipment	**224**	224
Unlisted investment in a subsidiary	**34,045**	34,045
Amount due from a subsidiary	**75,224**	77,652
	109,493	111,921
CURRENT ASSETS		
Other receivables	**468**	393
Bank balances and cash	**449**	266
	917	659
CURRENT LIABILITY		
Other payables	**445**	391
NET CURRENT ASSETS	**472**	268
TOTAL ASSETS LESS CURRENT LIABILITIES	**109,965**	112,189
CAPITAL AND RESERVE		
Share capital	**64,000**	64,000
Retained profits	**45,965**	48,189
TOTAL EQUITY	**109,965**	112,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INFORMATION OF THE COMPANY *(continued)*

Movement in reserve during the current and prior years are as follows:

	Total HK$'000
At January 2011	51,651
Loss for the year	(1,542)
Dividend recognised as distribution	(1,920)
At 31 December 2011	48,189
Loss for the year	(1,264)
Dividend recognised as distribution	(960)
At 31 December 2012	45,965

FINANCIAL SUMMARY

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	498,734	370,446	391,734	370,848	**291,376**
Profit (loss) for the year	8,066	24,645	8,266	(13,182)	**5,267**
Profit (loss) for the year attributable to:					
Owners of the Company	8,066	24,855	7,953	(13,288)	**4,901**
Non-controlling interests	–	(210)	313	106	**366**
	8,066	24,645	8,266	(13,182)	**5,267**

	At 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	285,763	308,451	321,143	361,741	**337,125**
Total liabilities	(129,681)	(130,482)	(139,100)	(192,454)	**(163,206)**
Shareholders' funds	156,082	177,969	182,043	169,287	**173,919**
Shareholder's funds attributable to:					
Owners of the Company	156,082	177,730	181,452	168,590	**172,896**
Non-controlling interests	–	239	591	697	**1,023**
	156,082	177,969	182,043	169,287	**173,919**