GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 8159)

2006 ANNUAL REPORT

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

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

CONTENTS

Corporate Information

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

INDEPENDENCE NON-EXECUTIVE DIRECTORS
Dr. Hon. Lui Ming Wah, *JP*
Lau Ho Kit, Ivan
Wong Kwong Chi

COMPANY SECRETARY
Wong Ngok Chung, *FCCA, AHKSA*

AUTHORISED REPRESENTATIVE
Wong Chun
Wong Ngok Chung

COMPLIANCE OFFICER
Wong Ngok Chung

QUALIFIED ACCOUNTANT
Wong Ngok Chung, *FCCA, AHKSA*

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

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 907, 9th Floor
Westlands Centre
20 Westlands Road
Quarry Bay, Hong Kong

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE
Hong Kong Registrars Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER
Standard Chartered Bank

AUDITORS
Deloitte Touche Tohmatsu

STOCK CODE
8159

Chairman's Statement

To Our Shareholders,

2006 was a challenging year to the Group. With the endeavour of our staff, the Group achieved a record turnover of HK$381.6 million, an increase of 37.7% as compared to the year of 2005. During the year, the prices of materials stayed in an up-trend. The price of copper climbed to the peak in the recent ten years. The increasing labour costs in the Pearl River Delta region and the appreciation of Renminbi also affected the profit of the Group. Despite of these, the Group achieved a consolidated profit of HK$21.5 million in the year of 2006. The Group has adopted a series of policies to strengthen its competitiveness in the market. These policies included the focusing of its resources at new and existing customers, enlarging the market share and implementing severe cost controls to compensate the adverse effect of the increasing prices of raw materials.

In the year of 2007, the Group will continue to implement these successful strategies. The construction of a new factory in Tangxia was completed and the operation was commenced. The Group shifted the manufacturing of high value-added products to the new factory. We anticipate that the design of the new factory will help to attract quality customers and valuable employees. We have achieved the anticipated goals.

In 2006, the Group shifted some labour intensive manufacturing processes to a leased factory in Fogang. The relatively lower labour costs together with the incentive policy offered by Fogang government helped to lower the manufacturing costs of the Group. In 2007, we will extend this strategy and the construction of new factory and quarter was commenced. We anticipate the development will be completed in mid of the year and operation will be commenced in the second half of the year. After the completion of the new factory, the Group will shift part of labour intensive manufacturing processes to Fogang. We believe this policy will help the Group for the planning of decentralization of production base in Dongguan.

The integration of mobile communication products, computers and digital home alliances continues to generate business opportunities to the Group. The combination of our expanded production facilities in the PRC, our proficient financial management team in Hong Kong and outstanding marketing and research and development teams in Taiwan promises prospect of the Group. The Group increased a new SMT production line at the beginning of the year. The production and efficiency of electronic product department will be increased and the Group will achieve growth from the products of electronic production department. As always, we will continue to seize every opportunity to raise our competitiveness in the market to bring lucrative returns to our valued shareholders.

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

Pang Kuo-Shi
Chairman

Hong Kong, 29 March 2007

Management Discussion and Analysis

TURNOVER AND PROFIT

The Group achieved a record of consolidated revenue of approximately HK$381.6 million for the year ended 31 December 2006, up 37.7% (2005: HK$277.1 million).

Turnover to OEM customers and retail distributors were HK$277.8 million and 103.7 million respectively, increased by 48.1% and 15.9% respectively as compared to 2005. In terms of geographical segments analysis, the increment of turnover to Taiwan and the United States of America (the "USA") were encouraging, up 69.2% and 69.1% respectively. During the year, the Group succeeded in promoting its products to a leading Taiwan and USA OEM customer respectively. Turnover to Japan and other regions increased by 24.2% and 29.1% respectively. Turnover to Korea and Hong Kong dropped by 1.9% and 69.6% respectively.

Consolidated net profit for the year ended 31 December 2006 was approximately HK$21.5 million, a slightly increase of about 1.2% or HK$0.2 million (2005: HK$21.3 million). In 2006, the adverse economic factors of high material prices, the significantly increase in labour costs and appreciation of Renminbi continued affected the results of the Group. The gross profit ratio of the year dropped to 13.9% when compared to 19.2% in 2005.

During the year, the Group successfully implemented strict cost control measures to countervail the adverse economic factors. The administrative expenses maintained at the amount of approximately HK$25.4million (2005: HK$25.7 million) despite of the increase of turnover of 37.7%.

YEAR IN REVIEW

Liquidity and Financial Resources

As at 31 December 2006, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$63.9 million (2005: HK$67.3 million), 64.4 million (2005: HK$67.3 million) and 131.9 million (2005: HK$112.7 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of 1.47 (2005: 1.62). As at 31 December 2006, the Group had no unsecured bank overdraft (2005: HK$0.4 million).

Production Capacity and Material Investment and Capital Assets

During the second half of the year, the new factory in Dongguan Tangxia gradually commenced production. This substantially improved the production capacity of the Group. This new factory will serve as the manufacture base of the Group's high value-added electronics products and its research and development and administrative centre in the PRC.

The construction of the Group's third factory in Fogang proceeded as planned. If everything is going smoothly, this factory is expected to commence operation in the second half of this year. It will become the manufacture base of labour intensive products of the Group. The relatively lower operating costs in the Fogang plant will enhance the cost competitiveness of the Group.

Management Discussion and Analysis *(Cont'd)*

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 63 engineers/technicians in the research and development department as at 31 December 2006.

Sales and Marketing

Accompanied with the operation of the Tangxia manufacturing centre, the Group will allocate adequate resources to cope with the expansion plan in its electronics business sector. Giving credit to our outstanding Taiwan marketing team, the Group successfully develop several world leading electronics customers in these months.

Employees

As at 31 December 2006, the Group had 3,113 (2005: 2,157) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2006 was approximately HK$43.8 million (2005: HK$33.9 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which are reviewed annually. The Company had granted options to its employees prior to its listing.

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 67.3%, 16.4%, 11.5% and 4.8% respectively for the year ended 31 December 2006. (2005: 70.0%, 13.9%, 11.5% and 4.6% respectively).

Prospect

The high material and labour costs and the appreciation of Renminbi are anticipated to be the Group's ongoing challenges. In answering these challenges, the Group will adopt a series of measures.

- Rationalise the functionalities of different manufacture bases of the Group. Fully utilise the new Tangxia factory as manufacturing centre of high value-added products, research and development and administrative centre of the Group in the PRC. Allocate the labour-intensive processes to Fogang plant after its completion, which enjoys an overall lower operating costs;

- Develop new high value-added leading customers. Enlarge market share;

- Enhance research and development capabilities;

- Upgrade the quality management and improve overall services to customers;

- Enhance cost competitiveness.

The Directors believe that the above strategies will benefit the Group in long-run and will lead the Group to success.

Summing all factors, the Directors are optimistic to the prospect of the Group.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also know as Steve Pang（龐國璽）, aged 49, 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 25 years of experience in the field of research and development, sales and marketing of computer cables and connectors. Prior to founding the Group, Mr. Pang worked as a sales manager for the US office of 鴻海精密工業股份有限公司 ("Hon-Hai Precision Industrial Company Limited"), one of the leading cable assembly and connector manufacturers in Taiwan. Mr. Pang graduated with a diploma in industrial engineering from 台灣新埔工業專科學校 (Hsinpu Junior College of Technology in Taiwan) in 1978.

Mr. Wong Chun（黃震）, aged 47, 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 23 years of experience in electronic and computer peripherals sector. He is presently serving as the Vice-Chairman and the Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, Vice President of the Hong Kong Auto Parts Industry Association, Vice-President and Director of China Affairs of the Hong Kong Critical Components Manufacturers Association, GD Fogang County Committee of Chinese People's Political Consultative Conference, Vice-Chairman of the Dongguan City Association of Enterprises with Foreign Investment, Executive Vice-Chairman of Dongguan City Tangxia Association of Enterprises with Foreign Investment. He has also awarded as Fellow by The Professional Validation Council of Hong Kong Industries and Fellow Member by Asian Knowledge Management Association respectively in 2006.

Mr. Hsia Chieh-Wen, also know as Paul Hsia（夏傑文）, aged 45, is an executive director and is primarily responsible for the Group's product development, quality control and production management. Mr. Hsia graduated with a diploma in mechanical engineering from 台灣龍華工業專科學校 (Lung Hua Technical College in Taiwan) in 1982. Mr. Hsia has over 19 years of experience in the cable assembly and connector industry. Prior to joining the Group in September 1993, Mr. Hsia worked as an engineer for 鴻海精密工業股份有限公司 ("Hon-Hai Precision Industrial Company Limited"), one of the leading cable assembly and connector manufacturers in Taiwan.

Biographical Details of Directors and Senior Management *(Cont'd)*

Mr. Wong Ngok Chung（黃岳松）, aged 54, is an executive Director and chief financial officer of the Company and is primarily responsible for the Group's financial management and legal affairs. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Wong has over 25 years of experience in finance, accounting and business management. Mr. Wong joined the Group in May 2000.

Independence non-executive Directors

Dr. Hon. Lui Ming Wah（呂明華）, Ph.D., SBS, JP, aged 68, is an established industrialist serving as the Honorary Chairman of the Hong Kong Electronic Industries Association and the Chairman of Hong Kong Shandong Business Association. He is also the Executive Committee Member of the Chinese Manufacturers Association of Hong Kong, an advisor of the Hong Kong International Arbitration Centre, and Vice Chairman of Independent Police Complaints Council. In the mainland, Dr. Lui serves as Member of CPPCC and 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 the 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. In addition, he had been a non-executive director of Fujikon Industrial Holdings Ltd., a listed company in the Stock Exchange, until March 2004.

Mr. Lau Ho Kit, Ivan（劉可傑）, aged 48, has extensive experience in accounting and financial management while working as a financial director/financial controller in a number of manufacturing companies listed on the Stock Exchange. Mr. Lau graduated from the Hong Kong Polytechnic University with a Master's degree in professional accounting. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants. Mr. Lau became an independent non-executive Director in December 2001. Mr. Lau is also an independent non-executive director of CCT Tech International Limited, a company listed on the main board of the Stock Exchange.

Biographical Details of Directors and Senior Management *(Cont'd)*

Mr. Wong Kwong Chi(王幹芝), aged 55, holds a Degree in Science and an MBA from the Chinese University of Hong Kong. He has extensive experience in executive positions especially in information technology, electronics, automotive components and pharmaceutical industries. Mr. Wong has acted as director for seven listed public companies in Hong Kong in the last four years. Mr. Wong currently sits on the boards of CDC Corporation (NASDAQ: CHINA), Hang Fung Gold Technology Ltd. (HKEX: 0870), Fountain Set (Holdings) Limited (HKEX: 0420) and Glory Mark Hi-Tech (Holdings) Limited (HKGEM: 8159). Mr. Wong is former Chairman of Hong Kong Venture Capital Association in 1993 — 1994, former Vice Chairman of Hong Kong Electronic Industries Association Limited, and former Vice President of Hong Kong Auto Parts Industry Association. He is currently Honorary Treasurer of Hong Kong Critical Components Manufacturers Association; Council member of Hong Kong Biotechnology Association; Advisor to Guangdong Commercial Chamber of High-Tech Industries, Zhuhai High-Tech Innovation Centre, Chengdu City Advisory Group for Science & Technology; Member of Hong Kong Young Industrialists Council; as well as Member of Business and Professionals Federation of Hong Kong. Mr. Wong is also Honorary Citizen of Foshan, Nanhai, Kaiping and Jiangmen.

SENIOR MANAGEMENT

Mr. Chui Wing Kit(徐永傑), aged 49, 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 45, 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 21 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 48, is the technical consultant of the Group and is responsible for the research and development activities of the Group, especially in the fibre optic business. Dr. Lee obtained a doctoral degree in Electrical Engineering from Rensselaer Polytechnic Institute in U.S. in December 1988. Dr. Lee is at present a professor at 國立交通大學 (The National Communication University) in Taiwan and the executive director of a company engaging in semiconductor opto-electronic and high-speed devices. Dr. Lee joined the Group in June 2001.

Directors' Report

The board (the "Board") of Directors (the "Directors") of Glory Mark Hi-Tech (Holdings) Limited (the "Company") is pleased to present their report together with the audited accounts of the company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006, together with the audited comparative figures for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 32.3% and 55.8% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 27.2% and 71.5% respectively of the Group's total turnover for the year.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 23.

The directors now recommend the payment of a final dividend of HK1.5 cents per share to the shareholders on the register of members on 27 April 2007, amounting to HK$4,800,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group continued its plant replacement policy and invested approximately HK$24,644,000 on new property, plant and equipment during the year.

The Group's investment properties were revalued at 31 December 2006. The increase in fair value of investment properties, which has been credited directly to consolidated income statement, amounted to HK$540,000.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 12 and 14 to the financial statements, respectively.

Directors' Report *(Cont'd)*

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2006 comprised the retained profits of HK$34,947,000 (2005: HK$40,304,000).

DIRECTORS

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

Executive directors:
Mr. Pang Kuo-Shi, Steve
Mr. Wong Chun
Mr. Hsia Chieh-Wen
Mr. Wong Ngok Chung

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Wong Ngok Chung, Dr. Hon. Lui Ming Wah, JP and Mr. Lau Ho Kit, Ivan shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

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

Directors' Report *(Cont'd)*

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, 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. Pang Kuo-Shi ("Mr. Pang")	Held by family trust *(Note)*	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,447,000	18.26%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.92%

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

Other than as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares or underlying shares of the Company and its associated corporations at 31 December 2006.

Directors' Report *(Cont'd)*

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 26 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year which were granted on 13 December 2001 with an exercise price of HK$0.30 each:

Directors/ employees	Outstanding at 1.1.2006	Lapsed during the year	Outstanding at 31.12.2006	Number of shares to be issued upon exercise of the options and their exercisable period	
Directors					
Mr. Pang	8,000,000	(8,000,000)	—	2,400,000	13.12.2002 — 12.12.2006
				2,400,000	13.12.2003 — 12.12.2006
				3,200,000	13.12.2004 — 12.12.2006
Mr. Wong	6,000,000	(6,000,000)	—	1,800,000	13.12.2002 — 12.12.2006
				1,800,000	13.12.2003 — 12.12.2006
				2,400,000	13.12.2004 — 12.12.2006
Mr. Hsia	3,000,000	(3,000,000)	—	900,000	13.12.2002 — 12.12.2006
				900,000	13.12.2003 — 12.12.2006
				1,200,000	13.12.2004 — 12.12.2006
Mr. Wong Ngok Chung	3,000,000	(3,000,000)	—	900,000	13.12.2002 — 12.12.2006
				900,000	13.12.2003 — 12.12.2006
				1,200,000	13.12.2004 — 12.12.2006
	20,000,000	(20,000,000)	—		
Employees	9,050,000	(9,050,000)	—	2,715,000	13.12.2002 — 12.12.2006
				2,715,000	13.12.2003 — 12.12.2006
				3,620,000	13.12.2004 — 12.12.2006
	29,050,000	(29,050,000)	—		

During the year, no share options were granted or exercised. As at 31 December 2006, all share options were lapsed.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report *(Cont'd)*

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 to the consolidated financial statements,

(i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules; and

(ii) no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interest of the shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' Interests in Shares and Underlying Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no other person as having a notifiable interest or short positions in the issued share capital of the Company at 31 December 2006.

PRE-EMPTIVE RIGHTS

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

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

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Directors' Report *(Cont'd)*

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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$26,000.

AUDITORS

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

On behalf of the Board
Pang Kuo-Shi
Chairman

29 March 2007

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

(a) Application of Corporate Governance Principles

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

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

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

Throughout the year of 2006, the Group had complied with all the code provisions in the HKSE Code with one deviation mentioned below.

(c) Deviation from HKSE Code

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

Corporate Governance Report *(Cont'd)*

Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, the Company confirms that all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the code of conduct for the year 2006.

Board Composition

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

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

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

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

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

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;

Corporate Governance Report *(Cont'd)*

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

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 2006, the Board held four meetings. The attendance record of each member of the Board is set out below:

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

Corporate Governance Report *(Cont'd)*

Remuneration of Directors and Senior Management

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

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

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

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

A meeting was held in 14 November 2006 to consider and determine (a) the bonus payment of executive directors, (b) bonus payments to employees of the Group and (c) the salary increases of senior management and employees of the Group for the Board's approval. In view that the remuneration packages of the four executive directors were remain unchanged for over five years, the Remuneration Committee proposed to review the remuneration packages of all the directors in 2007. Mr. Wong Kwong-Chi, Dr. Hon. Lui Ming-Wah, 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 2007.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditors, Deloitte Touche Tomatsu, to the Company in the year 2006 amounted to HK$620,000 and HK$110,000 respectively. Non-audit services provided by Deloitte Touche Tomatsu included the review of the Group's tax position for results announcements.

Corporate Governance Report *(Cont'd)*

AUDIT COMMITTEE

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

In 2006, the Audit Committee held four meetings. The attendance record of each member of the Committee is set out below:

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

For the financial year of 2006, the Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in HKSE Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors several times during 2006.

NOMINATION OF DIRECTORS

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

1. Procedure for Nomination of Directors

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

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

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

Corporate Governance Report *(Cont'd)*

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

1.5. Conduct verification on information provided by the candidate.

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

2. Criteria for Nomination of Directors

2.1. Common Criteria for All Directors

(a) Character and integrity

(b) The willingness to assume broad fiduciary responsibility

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

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

(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

Corporate Governance Report *(Cont'd)*

2.2. Criteria for Non-Executive Directors

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

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

(c) Outstanding professional and personal reputation

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

In 2006, the Board did not have any discussion to nominate directors since there had not been any vacancy to fill within the Board.

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

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

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 56, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to whether the consolidated financial statements are free from material misstatement.

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 and true and fair presentation of the consolidated financial statements 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 2006 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

29 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	4	381,551	277,081
Cost of sales		(328,330)	(223,787)
Gross profit		53,221	53,294
Other income	6	6,203	4,505
Increase in fair value of investment properties		540	1,090
Selling and distribution expenses		(10,036)	(9,360)
Administrative expenses		(25,417)	(25,742)
Bank overdraft interest		(4)	(1)
Profit before taxation	7	24,507	23,786
Taxation	8	(2,960)	(2,495)
Profit for the year		21,547	21,291
Dividend recognised as distribution during the year:			
Final dividend of HK1.5 cents (2005: HK1.5 cents) per ordinary share	10	4,800	4,800
Earnings per share	11		
Basic		HK6.73 cents	HK6.65 cents

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	55,592	35,399
Prepaid lease payments — non-current portion	13	8,497	3,742
Investment properties	14	2,880	2,340
Club debenture	15	560	560
Deposits for land use rights		530	3,391
		68,059	45,432
CURRENT ASSETS			
Inventories	16	32,785	34,393
Trade and other receivables	17	101,773	73,912
Bank balances and cash	18	64,435	67,255
		198,993	175,560
CURRENT LIABILITIES			
Trade and other payables	19	121,325	97,096
Amount due to a related company	20	—	21
Amounts due to directors	21	1,338	1,338
Taxation payable		12,465	9,457
Bank overdrafts — unsecured		—	369
		135,128	108,281
NET CURRENT ASSETS		63,865	67,279
		131,924	112,711
CAPITAL AND RESERVES			
Share capital	22	32,000	32,000
Reserves		99,924	80,711
		131,924	112,711

The consolidated financial statements on pages 23 to 56 were approved and authorised for issue by the Board of Directors on 29 March 2007 and are signed on its behalf by:

Pang Kuo-Shi
Director

Wong Chun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	32,000	680	11	63,142	95,833
Exchange gain on translation of foreign operations recognised directly in equity	—	—	387	—	387
Profit for the year	—	—	—	21,291	21,291
Total recognised income for the year	—	—	387	21,291	21,678
Dividend paid	—	—	—	(4,800)	(4,800)
At 31 December 2005	32,000	680	398	79,633	112,711
Exchange gain on translation of foreign operations recognised directly in equity	**—**	**—**	**2,466**	**—**	**2,466**
Profit for the year	**—**	**—**	**—**	**21,547**	**21,547**
Total recognised income for the year	**—**	**—**	**2,466**	**21,547**	**24,013**
Dividend paid	**—**	**—**	**—**	**(4,800)**	**(4,800)**
At 31 December 2006	**32,000**	**680**	**2,864**	**96,380**	**131,924**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 *HK$'000*	2005 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	24,507	23,786
Adjustments for:		
Bank overdraft interest	4	1
Interest income	(1,358)	(1,736)
Depreciation	5,888	4,701
Amortisation of prepaid lease payments	134	83
Increase in fair value of investment properties	(540)	(1,090)
Loss on disposal of property, plant and equipment	194	30
Impairment loss on trade receivables	114	1,202
Operating cash flows before movements in working capital	28,943	26,977
Decrease (increase) in inventories	1,608	(17,149)
Increase in trade and other receivables	(28,403)	(30,168)
Increase in trade and other payables	24,229	20,764
Decrease in amount due to a related company	(21)	(124)
Cash generated from operations	26,356	300
Interest paid	(4)	(1)
NET CASH FROM OPERATING ACTIVITIES	26,352	299
INVESTING ACTIVITIES		
Interest received	1,358	1,736
Proceeds on disposal of property, plant and equipment	157	278
Purchase of property, plant and equipment	(24,644)	(14,494)
Payment of prepaid lease payments	(1,221)	—
Purchase of club debenture	—	(560)
Deposits for land use rights	—	(3,391)
Decrease in bank deposits	—	3,883
NET CASH USED IN INVESTING ACTIVITIES	(24,350)	(12,548)

Consolidated Cash Flow Statement *(Cont'd)*

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
FINANCING ACTIVITY		
Dividends paid	**(4,800)**	(4,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,798)**	(17,049)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**66,886**	83,548
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**347**	387
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**64,435**	66,886
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**64,435**	67,255
Bank overdrafts	**—**	(369)
	64,435	66,886

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) — Int 8	Scope of HKFRS 2[4]
HK(IFRIC) — Int 9	Reassessment of embedded derivatives[5]
HK(IFRIC) — Int 10	Interim financial reporting and impairment[6]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[7]
HK(IFRIC) — Int 12	Service Concession Arrangements[8]

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In additional, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

Revenue recognition

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

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

Subcontracting fee income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

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

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is reclassified to the appropriate category 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arsing 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 or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life of the project. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment losses are recognised as an expense immediately.

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

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

Club debenture

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

Financial instruments

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

Financial assets

The Group's financial assets (including trade and other receivable and bank balances) are classified as loans and receivables.

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity

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

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

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

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

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

Foreign currencies

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

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

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

Operating leases

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.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Operating leases *(Cont'd)*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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

Retirement benefit costs

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

4. TURNOVER

Turnover represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly for computers and computer peripheral products, and subcontracting service rendered during the year, and is analysed as follows:

	2006 *HK$'000*	2005 *HK$'000*
Sales of goods	381,400	275,282
Subcontracting fee income	151	1,799
	381,551	277,081

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Segment information about these businesses is presented as follows:

	2006			2005		
	OEM customers *HK$'000*	Retail distributors *HK$'000*	Total *HK$'000*	OEM customers *HK$'000*	Retail distributors *HK$'000*	Total *HK$'000*
Operating Results						
Turnover	277,832	103,719	381,551	187,602	89,479	277,081
Results	38,310	14,911	53,221	35,014	18,280	53,294
Unallocated income and expenses			(29,250)			(30,597)
Increase in fair value of investment properties			540			1,090
Bank overdraft interest			(4)			(1)
Profit before taxation			24,507			23,786
Taxation			(2,960)			(2,495)
Profit for the year			21,547			21,291
Assets and Liabilities						
Assets						
Trade receivables *(Note)*	82,630	14,744	97,374	53,783	14,685	68,468
Unallocated assets			169,678			152,524
Total assets			267,052			220,992
Liabilities						
Unallocated total liabilities			135,128			108,281
Other Information						
Impairment loss on trade receivables	41	73	114	1,202	—	1,202
Loss on disposal of property, plant and equipment			194			30

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Geographical segments

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

	2006 *HK$'000*	2005 *HK$'000*
ROC	**147,286**	87,040
Japan	**80,170**	64,534
Korea	**62,355**	63,588
USA	**65,569**	38,767
Hong Kong	**1,147**	3,772
Others	**25,024**	19,380
	381,551	277,081

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**1,198**	4,112	**90**	132
Mainland China	**97,062**	75,143	**24,217**	14,297
ROC	**55,566**	35,680	**337**	65
USA	**18,058**	15,838	**—**	—
Korea	**11,694**	10,211	**—**	—
Japan	**6,814**	5,966	**—**	—
Others	**8,785**	3,887	**—**	—
	199,177	150,837	**24,644**	14,494

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

6. OTHER INCOME

	2006 *HK$'000*	2005 *HK$'000*
The amount comprises:		
Net foreign exchange gains	497	252
Interest income on bank deposits	1,358	1,736

7. PROFIT BEFORE TAXATION

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 9)*	5,572	5,572
Other staff costs		
Salaries and other benefits	42,610	32,877
Retirement benefit scheme contributions	1,069	984
Total staff costs	49,251	39,433
Auditors' remuneration	780	674
Depreciation	5,888	4,701
Amortisation of prepaid lease payments	134	83
Cost of inventories recognised as expenses	328,330	223,787
Impairment loss on trade receivables	114	1,202
Loss on disposal of property, plant and equipment	194	30

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

8. TAXATION

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

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

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

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation	24,507	23,786
Tax at the domestic income tax rate of 25% (2005: 25%)	6,127	5,947
Tax effect of income not taxable for tax purpose	(5,682)	(5,656)
Tax effect of expenses not deductible for tax purpose	1,890	1,918
Tax effect of unrecognised tax losses	1,429	731
Tax effect of utilisation of tax losses previously not recognised	(488)	(445)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(49)	—
Others	(267)	—
Taxation charge for the year	2,960	2,495

The domestic income tax rate represents income tax rate in the ROC.

At 31 December 2006, the Group has deductible temporary differences of approximately HK$500,570 (2005: HK$596,000) and unused tax losses of approximately HK$13,409,000 (2005: HK$9,990,000) available for offset against future profits. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

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

Directors

	Mr. Pang Kuo-Shi, Steve	Mr. Wong Chun	Mr. Hsia Chieh-Wen	Mr. Wong Ngok Chung	Dr. Hon. Lui Ming Wah, JP	Mr. Lau Ho Kit, Ivan	Mr. Wong Kwong Chi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006								
Fees	—	—	—	—	80	—	80	160
Other emoluments:								
Salaries and other benefits	1,925	1,708	1,267	488	—	—	—	5,388
Retirement benefit scheme contributions	—	12	—	12	—	—	—	24
	1,925	1,720	1,267	500	80	—	80	5,572
2005								
Fees	—	—	—	—	80	—	80	160
Other emoluments:								
Salaries and other benefits	1,925	1,708	1,267	488	—	—	—	5,388
Retirement benefit scheme contributions	—	12	—	12	—	—	—	24
	1,925	1,720	1,267	500	80	—	80	5,572

During the year, no emoluments were paid by the Group to these directors as an inducement to join or upon joining the Group or as compensation for loss of office and no director had waived any emoluments.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Cont'd)*

Employees

Of the five highest paid individuals of the Group, three (2005: four) were directors of the Company whose emoluments are included above. Emoluments of each individual was within the band from HK$nil to HK$1,000,000. The emoluments of the remaining two (2005: one) individuals were as follows:

	2006 *HK$'000*	2005 *HK$'000*
Salaries and other benefits	1,192	557
Retirement benefit scheme contributions	32	12
	1,224	569

10. DIVIDENDS

	2006 *HK$'000*	2005 *HK$'000*
Dividend recognised as distribution during the year:		
Final — HK1.5 cents per share (2005: HK1.5 cents)	4,800	4,800

The final dividend of HK1.5 cents (2005: HK1.5 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting for the year ended 31 December 2006.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

11. EARNINGS PER SHARE

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

	2006 *HK$'000*	2005 *HK$'000*
Profit for the year	21,547	21,291
	'000	*'000*
Number of ordinary shares for the purposes of basic earnings per share	320,000	320,000

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture and fixtures	Office equipment	Computer equipment	Machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2005	9,692	4,105	4,118	2,016	667	27,943	1,983	50,524
Additions	—	12,135	278	396	3	1,675	7	14,494
Disposals	—	—	—	—	—	—	(693)	(693)
At 31 December 2005	9,692	16,240	4,396	2,412	670	29,618	1,297	64,325
Currency realignment	1,047	332	105	52	42	1,345	47	2,970
Additions	2,347	16,699	1,499	968	—	2,614	517	24,644
Transfers	19,616	(29,079)	8,258	—	—	1,205	—	—
Disposals	—	—	—	—	—	(771)	—	(771)
At 31 December 2006	32,702	4,192	14,258	3,432	712	34,011	1,861	91,168
DEPRECIATION								
At 1 January 2005	1,738	—	2,829	1,611	481	16,826	1,125	24,610
Provided for the year	205	—	540	247	45	3,425	239	4,701
Eliminated on disposals	—	—	—	—	—	—	(385)	(385)
At 31 December 2005	1,943	—	3,369	1,858	526	20,251	979	28,926
Currency realignment	130	—	31	31	35	919	36	1,182
Provided for the year	433	—	1,239	302	47	3,647	220	5,888
Eliminated on disposals	—	—	—	—	—	(420)	—	(420)
At 31 December 2006	2,506	—	4,639	2,191	608	24,397	1,235	35,576
CARRYING VALUES								
At 31 December 2006	30,196	4,192	9,619	1,241	104	9,614	626	55,592
At 31 December 2005	7,749	16,240	1,027	554	144	9,367	318	35,399

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

12. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

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

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

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

13. PREPAID LEASE PAYMENTS

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

	2006 *HK$'000*	2005 *HK$'000*
Current asset (included in trade and other receivables)	185	83
Non-current asset	8,497	3,742
	8,682	3,825

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

14. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2005	1,250
Increase in fair value recognised in the consolidated income statement	1,090
At 31 December 2005	2,340
Increase in fair value recognised in the consolidated income statement	540
At 31 December 2006	2,880

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 2006 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

15. CLUB DEBENTURE

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

16. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials and consumables	16,091	18,124
Work in progress	658	2,343
Finished goods	16,036	13,926
	32,785	34,393

17. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days (2005: 30 days to 180 days) to its trade customers.

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

	2006 HK$'000	2005 HK$'000
Trade receivables		
Within 30 days	29,858	41,163
From 31 days to 120 days	64,278	27,039
From 121 days to 180 days	2,196	142
Over 180 days	1,042	124
	97,374	68,468
Other receivables	4,399	5,444
	101,773	73,912

18. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at prevailing market interest rates and short-term bank deposits at fixed interest rates ranging from 0.1% to 5.06% (2005: 3.3% to 4.3%) per annum.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

19. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period ranging from 30 days to 150 days (2005: 30 days to 150 days) from its trade suppliers.

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

	2006 *HK$'000*	2005 *HK$'000*
Trade payables		
Within 30 days	**24,764**	19,953
From 31 days to 90 days	**49,312**	41,693
From 91 days to 150 days	**22,053**	16,960
Over 150 days	**3,897**	1,947
	100,026	80,553
Other payables	**21,299**	16,543
	121,325	97,096

20. AMOUNT DUE TO A RELATED COMPANY

The amount was owed to Glory Mark Enterprises Limited ("GM Enterprises"), a company in which Mr. Pang Kuo-Shi, Steve, Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 100% interest. The amount was unsecured, interest free and fully repaid during the year.

21. AMOUNTS DUE TO DIRECTORS

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

22. SHARE CAPITAL

	Number of shares 2006 & 2005	Amount 2006 & 2005 *HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	320,000,000	32,000

23. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

23. FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Financial risk management objectives and policies *(Cont'd)*

Credit risk *(Cont'd)*

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 the balance sheet date, the top five customers of the Group accounted for about 68.9% (2005: 71.3%) of the Group's trade receivables. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Market risk

Interest rate risk

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

Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. At the balance sheet date, amount of HK$73,426,000 included in trade receivables and HK$84,904,000 included in trade payables of the Group are denominated in NTD307,608,000 and NTD355,691,000 respectively. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

23. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Fair value

The fair value of the Group's major financial assets and liabilities (including trade and other receivables, bank balances and cash, trade and other payables, and amounts due to directors) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates. In the opinion of the directors, the carrying amounts of the Company's financial assets and financial liabilities approximate their fair values due to the short maturity.

24. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**11,464**	12,846

25. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises and equipment was HK$957,000 (2005: HK$981,000).

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**239**	248
In the second year	**36**	108
In the third year	**—**	36
	275	392

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

25. OPERATING LEASES *(Cont'd)*

The Group as lessee *(Cont'd)*

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

The Group as lessor

Property rental income earned during the year was HK$1,850,000 (2005: HK$559,000) before deduction of direct operating expenses of approximately HK$64,000 (2005: HK$62,000).

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments which fall due as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within one year	531	1,522
In the second year	—	430
	531	1,952

26. SHARE OPTION SCHEMES

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

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

26. SHARE OPTION SCHEMES *(Cont'd)*

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

Details of movements in the share options which were granted on 13 December 2001 (fully vested on the same date) with an exercise price of HK$0.30 each are as follows:

Directors/ employees	Outstanding at 1 January 2005 and 31 December 2005	Lapsed during the year	Outstanding at 31 December 2006	Number of shares to be issued upon exercise of the options and their exercisable period	
Directors	20,000,000	(20,000,000)	—	6,000,000	13 December 2002 — 12 December 2006
				6,000,000	13 December 2003 — 12 December 2006
				8,000,000	13 December 2004 — 12 December 2006
Employees	9,050,000	(9,050,000)	—	2,715,000	13 December 2002 — 12 December 2006
				2,715,000	13 December 2003 — 12 December 2006
				3,620,000	13 December 2004 — 12 December 2006
	29,050,000	(29,050,000)	—		

No share options were granted or exercised during both years. No share options were outstanding under the Pre-IPO share option scheme at 31 December 2006 (2005: 29,050,000 share options representing 9% of the shares of the Company in issue at that date). No share options were granted under the Post-IPO share option scheme since its adoption.

27. RETIREMENT BENEFITS PLANS

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

27. RETIREMENT BENEFITS PLANS *(Cont'd)*

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

The total cost charged to consolidated income statement of HK$1,093,000 (2005: HK$1,008,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

28. CONNECTED AND RELATED PARTY TRANSACTIONS

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

Name	Nature of transactions	2006 *HK$'000*	2005 *HK$'000*
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	**144**	145
GM Enterprises	Rental paid by the Group	**252**	252
San Chen Company ("San Chen")	Rental paid by the Group	**144**	145
Mr. Pang Kuo-Shi, Steve	Sale of a motor vehicle by the Group	**—**	278
	Purchase of a motor vehicle by the Group	**332**	—

Mr. Pang Kuo-Shi, Steve, Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% interest in GM (Taiwan) and 100% interest in GM Enterprises. Mr. Pang Kuo-Shi, Steve holds 40% interest in San Chen. All the above related parties are also connected persons as defined under Chapter 20 of the GEM Listing Rules that constitutes to connected transactions.

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2006 are as follows:

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

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

29. PARTICULARS OF SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Glory Mark Electronic Limited	Incorporated	Hong Kong	HK$100,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong , investment holding and provision of subcontracting services
Glory Mark Electronic Limited	Incorporated	Samoa	US$50,000 Ordinary shares	—	100%	Trading of connectivity products mainly for computers and peripheral products
Glory Mark Development Limited *(Note b)*	Incorporated	British Virgin Islands	US$50,000 Ordinary shares	—	100%	Not yet commence business
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands	US$400 Ordinary shares	100%	—	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd.	Wholly foreign-owned enterprise	PRC	HK$25,353,240 Paid up registered capital *(Note c)*	—	100%	Manufacture of connectivity products mainly for computers and peripheral products
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$1,185,000 Paid up registered capital *(Note d)*	—	100%	Manufacture of connectivity products mainly for computers and peripheral products

Notes to the Consolidated Financial Statements *(Cont'd)*

For the year ended 31 December 2006

29. PARTICULARS OF SUBSIDIARIES *(Cont'd)*

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 as a wholesaler and a retailer of machinery, electric appliances and telecommunications equipment and provides marketing support, materials procurement and research and development services for the Group.

(b) The subsidiary has established a branch, namely Glory Mark Development Limited — Taiwan Branch (the "GMD Branch") in the ROC. The GMD Branch is engaged as a wholesaler and a retailer of machinery, electric appliances and telecommunications equipment and provides marketing support, materials procurement and research and development services for the Group.

(c) At 31 December 2006, the registered capital was HK$30,360,000 (2005: HK$30,360,000) of which HK$25,353,240 (2005: HK$18,540,000) had been paid by the Group, subject to the issuance of capital verification report.

(d) At 31 December 2006, the registered capital was US$1,680,000 (2005: US$1,680,000) of which US$1,185,000 (2005: US$585,000) had been paid by the Group, subject to the issuance of capital verification report.

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

Financial Summary

	Year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	145,917	183,641	260,475	277,081	**381,551**
Profit for the year	13,470	21,236	16,663	21,291	**21,547**

	At 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	114,959	150,007	180,610	220,992	**267,052**
Total liabilities	(46,169)	(66,075)	(84,777)	(108,281)	**(135,128)**
Shareholders' funds	68,790	83,932	95,833	112,711	**131,924**