ANNUAL REPORT 2008

GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk 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.

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This report, for which the directors (the "Directors") of Glory Mark Hi-Tech (Holdings) Limited (the "Company") collectively and individually accept 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, having made all reasonable enquires, 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. Lui Ming Wah, *S.B.S., JP*
Lau Ho Kit, Ivan
Wong Kwong Chi

COMPANY SECRETARY

Wong Ngok Chung, *HKICPA*

AUTHORISED REPRESENTATIVE

Wong Chun
Wong Ngok Chung

COMPLIANCE OFFICER

Wong Ngok Chung

QUALIFIED ACCOUNTANT

Wong Ngok Chung, *HKICPA*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 907, 9th Floor
Westlands Centre
20 Westlands Road
Quarry Bay, Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield 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,

We had passed through a tough year of 2008. The Group experienced operating loss for the first time in the first quarter last year since its listing. With the endeavour of our staff, the Group turned to become profitable and achieved a revenue and net profit of approximately HK$498.7 million and HK$8.1 million respectively for the year ended 31 December 2008.

We anticipated that the business environment in 2009 is extremely severe. The real economy is starting to suffer as the effects of the financial crisis takes hold. We realised that minimizing our operating risks is our most important task in 2009. A range of measures, which include enhancing credit insurance protection for our accounts receivables, re-negotiating with our customers of the trade terms to reduce the occurrence of obsolete stocks, stringently controlling any capital investments and maintaining a strong financial position are being implemented.

Challenges always bring improvements. We believe that the difficulties in 2009 are good drives for us to comprehensively promoting our management level in all manners. Our management team and staff shall work diligently towards this goal in coming year.

To share the results with our honourable shareholders, the Directors proposed a final dividend of HK1.0 cents per share, which is subject to approval by members in the coming annual general meeting.

DIVIDEND

The 2008 final dividend of HK1.0 cents (2007: 1.2 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting. The final dividend will be payable on 26 May 2009 to the shareholders whose names appear on the register on Members of the Company on 8 May 2009.

CLOSURE OF REGISTER

The Register of Members will be closed from 6 May 2009, Wednesday to 8 May 2009, Friday (both days inclusive), during which period no share transfer will be registered. In order to be entitled to the recommended proposed 2008 final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on 5 May 2009.

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

Pang Kuo-Shi
Chairman

Hong Kong, 25 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER AND PROFIT

Hit by the global economic recession in the second half of 2008, the Group reported a consolidated revenue of approximately HK$498.7 million for the year ended 31 December 2008 as compared to HK$523.5 million for 2007.

Turnover to OEM customers and retail distributors amounted to HK$403.0 million and HK$95.7 million respectively, representing a decrease of 2.5% and 13.2% respectively as compared to 2007. For the analysis of turnover by geographical segments, turnover to Taiwan increased by 12.8%. Turnover to Japan, Korea, USA and other regions decreased by 16.8%, 61.3%, 12.6% and 5.4% respectively.

YEAR IN REVIEW

Liquidity and Financial Resources

As at 31 December 2008, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$65.1 million (2007: HK$64.7 million), HK$51.7 million (2007: HK$56.0 million) and HK$156.1 million (2007: HK$150.1 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at satisfactory level of 1.50 (2007: 1.33). The Group had no unsecured bank overdraft at the end of both years.

Research and Development Capabilities

It is an ongoing strategy of the Group to focus on its research and development capabilities as this strategy is critical in maintaining the Group's competitive edge in the market. The Group had 23 engineers/technicians in the research and development department as at 31 December 2008.

Sales and Marketing

In view of the downturn in the global market, the marketing team will endeavour to secure the businesses with existing customers and procure new reliable customers.

Employees

As at 31 December 2008, the Group had 2,266 (2007: 3,176) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2008 was approximately HK$71.1 million (2007: HK$61.1 million). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which are reviewed annually.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 33.8%, 42.7%, 16.0% and 7.5% respectively for the year ended 31 December 2008. (2007: 56.5%, 23.8%, 13.3% and 6.4% respectively).

Credit Risk

To minimize credit risk, the Company will engage a non-recourse factoring arrangement for accounts receivables with a reputable bank in Hong Kong.

Prospect

The business environment is anticipated to be extremely challenging in 2009. The real economy is starting to suffer as the effects of the financial crisis take hold. This will inevitably affect the turnover of the Group in 2009.

The Directors realised that the most important task in 2009 is to minimize operating risks. The following initiatives will be adopted in this year:–

- To engage a non-recourse factoring arrangement for accounts receivables with a reputable bank
- To purchase raw materials against firmed sales orders to minimize obsolete stocks
- To stringently control any capital investments
- To arrange sufficient standby facilities with banks
- To keep sufficient cash on hand

The Group is also taking stringent cost control initiatives aimed at minimizing its operating costs.

Considering the unfavourable economic situation, the Directors maintain conservative views on the operating results of the Group in the coming quarters.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also know as Steve Pang(**龐國璽**), aged 51, 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 27 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 49, 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 24 years of experience in electronic and computer peripherals sector. He is presently serving as the General Committee Member of the Chinese Manufacturers Association of Hong Kong, Vice-Chairman and the Chairman of China Sub-Committee of the Hong Kong Electronic Industries Association, President of the Hong Kong Auto Parts Industry Association, Executive Committee Member, PRD Council (Dongguan Chapter), Federation of Hong Kong Industries, GD Fogang County Committee of Chinese People 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, the member of the China Trade Advisory Committee of Hong Kong Trade Development Council. He has also awarded as Fellow by The Professional Validation Council of Hong Kong Industries and Fellow Member by Asian Knowledge Management Association respectively in 2006.

Mr. Hsia Chieh-Wen, also know as Paul Hsia (夏傑文), aged 47, 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 20 years of experience in the cable assembly and connector industry. Prior to joining the Group in September 1993, Mr. Hsia worked as an engineer for 鴻海精密工業股份有限公司 ("Hon-Hai Precision Industrial Company Limited"), one of the leading cable assembly and connector manufacturers in Taiwan.

Mr. Wong Ngok Chung (黃岳松), aged 56, is an executive Director and chief financial officer of the Company and is primarily responsible for the Group's financial management and legal affairs. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 27 years of experience in finance, accounting and business management. Mr. Wong joined the Group in May 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independence non-executive Directors

Dr. Lui Ming Wah (呂明華), Ph.D., SBS, JP, aged 70, is an established industrialist serving as the Honorary Chairman of the Hong Kong Electronic Industries Association and the Honorary Chairman of Hong Kong Shandong Business Association. He is also the Council Member of the Chinese Manufacturers Association of Hong Kong, an advisor of the Hong Kong International Arbitration Centre, and an observer of Independent Police Complaints Council. In the mainland, Dr. Lui serves as 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.

Mr. Lau Ho Kit, Ivan (劉可傑), aged 50, has extensive experience in accounting and financial management while working as a financial director/financial controller in a number of manufacturing companies listed on the Stock Exchange. Mr. Lau graduated from the Hong Kong Polytechnic University with a Masters degree in professional accounting. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England and Wales. Mr. Lau became an independent non-executive Director in December 2001. Mr. Lau is also an independent non-executive director of CCT Tech International Limited, a company listed on the main board of the Stock Exchange.

Mr. Wong Kwong Chi (王幹芝), aged 57, 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 three listed public companies in Hong Kong in the last four years. Mr. Wong currently sits on the boards of CDC Corporation (NASDAQ: CHINA), 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 as well as Member of Hong Kong Young Industrialists Council. Mr. Wong is also Honorary Citizen of Foshan, Nanhai, Kaiping and Jiangmen.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Chui Wing Kit (徐永傑), aged 51, 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 47, 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 23 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 50, 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 Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 24.2% and 45.1% respectively of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 27.3% and 70.4% respectively of the Group's total turnover for the year.

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

RESULTS AND APPROPRIATIONS

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

The directors now recommend the payment of a final dividend of HK1.0 cents per share to the shareholders on the register of members on 8 May 2009, amounting to HK$3,200,000, and the retention of the remaining profit for the year of HK$4,866,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 December 2008. The net decrease in fair value of investment properties, which has been debited directly to consolidated income statement, amounted to HK$420,000.

The Group expended approximately HK$13,293,000 on new plant and equipment during the year.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 15 and 17 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2008 comprised the retained profits of HK$44,659,000 (2007: HK$29,570,000).

DIRECTORS

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

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

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Pang Kuo-Shi, Dr. Lui Ming Wah, *S.B.S., 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.

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' SERVICE CONTRACT

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

DIRECTORS' REPORT

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

As at 31 December 2008, 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 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 2008.

SHARE OPTION SCHEME

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

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any

DIRECTORS' REPORT

point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

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

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 benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

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' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance discloses no other person as having a modifiable interest or short positions in the issued share capital of the Company at 31 December 2008.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 30, there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$182,000.

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

Chairman
Pang Kuo-Shi

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 2008, the Group had complied with all the code provisions in the HKSE Code with one deviation mentioned below.

(c) Deviation from HKSE Code

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, the Company confirms that all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors as set out in the code of conduct for the year 2008.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2008, the Board held four meetings.

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

As mentioned above, a remuneration committee was formed for, inter alia, the following purposes:

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

(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. Lui Ming-Wah, *S.B.S., JP* and Mr. Lau Ho-Kit, Ivan, and an executive director, Mr. Wong Chun.

CORPORATE GOVERNANCE REPORT

A meeting was held in 25 March 2009 to consider and determine (a) the bonus payment of executive directors, (b) bonus payments to employees of the Group and (c) the salary increases of senior management and employees of the Group for the Board's approval. Mr. Wong Kwong-Chi, Dr. Lui Ming-Wah, *S.B.S., JP*, Mr. Lau Ho-Kit, Ivan and Mr. Wong Chun attended this meeting.

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

The Remuneration Committee will meet and review the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's directors in 2009.

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 2008 amounted to HK$612,000 and HK$68,000 respectively. Non-audit services provided by Deloitte Touche Tomatsu included the review of the Group's tax position for results announcements.

AUDIT COMMITTEE

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

During the year, the audit committee held four meetings and performed the following duties:

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

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

1. Procedure for Nomination of Directors

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

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

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

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

1.5. Conduct verification on information provided by the candidate.

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

2. Criteria for Nomination of Directors

2.1. Common Criteria for All Directors

(a) Character and integrity

(b) The willingness to assume broad fiduciary responsibility

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

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

CORPORATE GOVERNANCE REPORT

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

(f) Breadth of knowledge about issues affecting the Company

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

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

(i) Fit with the Company's culture

2.2. Criteria for Non-Executive Directors

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

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

(c) Outstanding professional and personal reputation

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

In 2008, 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 61, which comprise the consolidated balance sheet as at 31 December 2008, 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.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 2008 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

25 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	7	**498,734**	523,541
Cost of sales		**(452,551)**	(466,745)
Gross profit		**46,183**	56,796
Other income	9	**3,115**	4,452
Change in fair value of investment properties		**(420)**	1,060
Selling and distribution expenses		**(9,697)**	(10,783)
Administrative expenses		**(29,441)**	(27,954)
Bank overdraft interest		**(4)**	–
Profit before taxation	11	**9,736**	23,571
Income tax expense	12	**(1,670)**	(3,089)
Profit for the year		**8,066**	20,482
Dividend recognised as distribution during the year	13	**3,840**	4,800
Earnings per share	14		
Basic		**HK2.52 cents**	HK 6.40 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**76,410**	71,326
Prepaid lease payments	16	**9,714**	8,947
Investment properties	17	**3,520**	3,940
Available-for-sale investment	18	**200**	–
Club debenture	19	**560**	560
Deposits for land use rights		**602**	569
		91,006	85,342
CURRENT ASSETS			
Inventories	20	**33,075**	58,457
Trade and other receivables	21	**109,946**	144,192
Bank balances and cash	22	**51,736**	55,998
		194,757	258,647
CURRENT LIABILITIES			
Trade and other payables	23	**109,833**	176,732
Amounts due to directors	24	**1,371**	1,371
Taxation payable		**18,477**	15,820
		129,681	193,923
NET CURRENT ASSETS		**65,076**	64,724
		156,082	150,066
CAPITAL AND RESERVES			
Share capital	25	**32,000**	32,000
Reserves		**124,082**	118,066
		156,082	150,066

The consolidated financial statements on pages 23 to 61 were approved and authorised for issue by the Board of Directors on 25 March 2009 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 2008

	Share capital HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	32,000	680	2,864	96,380	131,924
Exchange gain on translation of foreign operations recognised directly in equity	–	–	2,460	–	2,460
Profit for the year	–	–	–	20,482	20,482
Total recognised income for the year	–	–	2,460	20,482	22,942
Dividend paid	–	–	–	(4,800)	(4,800)
At 31 December 2007	32,000	680	5,324	112,062	150,066
Exchange gain on translation of foreign operations recognised directly in equity	**–**	**–**	**1,790**	**–**	**1,790**
Profit for the year	**–**	**–**	**–**	**8,066**	**8,066**
Total recognised income for the year	**–**	**–**	**1,790**	**8,066**	**9,856**
Dividend paid	**–**	**–**	**–**	**(3,840)**	**(3,840)**
At 31 December 2008	**32,000**	**680**	**7,114**	**116,288**	**156,082**

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 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**9,736**	23,571
Adjustments for:		
Bank overdraft interest	**4**	–
Interest income	**(355)**	(1,481)
Depreciation	**11,481**	8,826
Amortisation of prepaid lease payments	**218**	192
Allowance for inventories	**8,665**	–
Change in fair value of investment properties	**420**	(1,060)
Loss (gain) on disposal of property, plant and equipment	**11**	(7)
Impairment loss on trade receivables	**5**	–
Operating cash flows before movements in working capital	**30,185**	30,041
Decrease (increase) in inventories	**16,717**	(25,672)
Decrease (increase) in trade and other receivables	**34,306**	(42,153)
(Decrease) increase in trade and other payables	**(69,157)**	53,502
Increase in amounts due to directors	**–**	33
Cash generated from operations	**12,051**	15,751
Interest paid	**(4)**	–
Income taxes paid	**(31)**	–
NET CASH FROM OPERATING ACTIVITIES	**12,016**	15,751
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(12,278)**	(21,113)
Payment of prepaid lease payments	**(472)**	–
Purchase of available-for-sale investment	**(200)**	–
Interest received	**355**	1,481
Proceeds on disposal of property, plant and equipment	**45**	12
NET CASH USED IN INVESTING ACTIVITIES	**(12,550)**	(19,620)
CASH USED IN FINANCING ACTIVITY		
Dividends paid	**(3,840)**	(4,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,374)**	(8,669)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**55,998**	64,435
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**112**	232
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**51,736**	55,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 "Stock Exchange") on 4 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31.

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

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments has been required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to Hong Kong Financial Reporting Standards [1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 in the normal course of business, net of discounts and sales related taxes.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of the items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes 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 classified 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.

Prepaid lease payments

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight-line basis.

Investment properties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 Group (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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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 of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

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 subsequent accumulated impairment loss.

Share-based payment transactions

Equity-settled share-based payment transactions

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For financial assets carried at amortised cost, 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.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and retained profits.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated allowance of doubtful debts of trade receivable

Estimated allowance of doubtful debts are provided and assessed based on the directors' estimation of the collectability of each individual debtor. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivable is HK$106,616,000 (2007: HK$139,003,000) (net of allowance for doubtful debts of HK$544,000 (2007: HK$3,228,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**160,631**	198,165
Available-for-sale investment	**200**	–
Financial liabilities at amortised cost	**98,542**	163,649

(b) 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.

(i) Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Currency risk (Continued)

	2008 **HK$'000**	2007 HK$'000
Assets		
USD (Note 1)	**5,018**	132,540
New Taiwan dollar ("NTD") (Note 2)	**142**	5,102
Renminbi ("RMB") (Note 2)	**21**	720
Hong Kong dollar ("HKD") (Note 2)	**–**	6
Liabilities		
USD (Note 1)	**2,097**	32,749
NTD (Note 2)	**5,224**	84,785
RMB (Note 2)	**67**	6,303

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

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

The effect of changes in USD against HKD is not analysed as HKD is pegged to USD. The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB and NTD. 5% is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in the foreign currency rates. A positive number indicates a decrease in profit where RMB and NTD strengthens against the USD.

	Impact of RMB		**Impact of NTD**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Decrease in profit	**2**	279	**255**	3,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk

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

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable rate bank balances at the balance sheet date. A 20 (2007: 50) basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 20 (2007: 50) basis point higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would increase/decrease by HK$32,000 (2007: HK$62,000).

(iii) 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 2008 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.

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. At 31 December 2008, the top five customers of the Group accounted for about 65.1% (2007: 64.5%) 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 counterparties are banks with high credit-ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Liquidity risk

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

	0-30 days	31-90 days	91-365 days	Total undiscoutned cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2008					
Non-interest bearing	**58,663**	**31,809**	**8,070**	**98,542**	**98,542**
As at 31 December 2007					
Non-interest bearing	155,847	3,871	3,931	163,649	163,649

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

7. REVENUE

	2008	2007
	HK$'000	HK$'000
Sales of connectivity products mainly for computers and peripheral products	**498,734**	523,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. 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:

	2008			2007		
	OEM customers HK$'000	**Retail distributors HK$'000**	**Total HK$'000**	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
OPERATING RESULTS						
REVENUE	**403,064**	**95,670**	**498,734**	413,352	110,189	523,541
SEGMENT RESULTS	**38,071**	**8,112**	**46,183**	41,284	15,512	56,796
Unallocated expenses			**(39,138)**			(38,737)
Unallocated income			**3,115**			4,452
Change in fair value of investment properties			**(420)**			1,060
Bank overdraft interest			**(4)**			–
Profit before taxation			**9,736**			23,571
Income tax expense			**(1,670)**			(3,089)
Profit for the year			**8,066**			20,482
ASSETS AND LIABILITIES						
ASSETS						
Trade receivables (Note)	**90,203**	**16,413**	**106,616**	122,086	16,917	139,003
Property, plant and Equipment and inventories (Note)			**109,485**			129,783
Segment assets			**216,101**			268,786
Unallocated assets			**69,662**			75,203
Total assets			**285,763**			343,989
LIABILITIES						
Unallocated total liabilities			**129,281**			193,923
OTHER INFORMATION						
Impairment loss on trade receivables	**5**		**5**	–		–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

Geographical segments

The Group's customers are mainly located in the Republic of China (the "ROC"), Japan, 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:

	2008	2007
	HK$'000	HK$'000
ROC	**292,323**	259,250
Japan	**81,327**	97,790
Korea	**17,902**	46,276
USA	**79,290**	90,727
Others	**27,892**	29,498
	498,734	523,541

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**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,073**	808	**764**	641
Mainland China	**105,730**	126,113	**12,461**	20,341
ROC	**80,329**	90,063	**68**	329
USA	**8,452**	22,596	**–**	–
Korea	**1,486**	8,871	**–**	–
Japan	**12,568**	15,588	**–**	–
Others	**4,463**	4,747	**–**	8
	216,101	268,786	**13,293**	21,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

9. OTHER INCOME

	2008 HK$'000	2007 HK$'000
The amount including:		
Interest income on bank deposits	**355**	1,481
Net foreign exchange gain	**–**	379

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

Directors

	Mr. Pang Kuo-Shi HK$'000	Mr. Wong Chun HK$'000	Mr. Hsia Chieh-Wen HK$'000	Mr. Wong Ngok Chung HK$'000	Dr. Hon. Lui Ming Wah, JP HK$'000	Mr. Lau Ho Kit, Ivan HK$'000	Mr. Wong Kwong Chi HK$'000	Total HK$'000
2008								
Fees	**–**	**–**	**–**	**–**	**88**	**–**	**88**	**176**
Other emoluments:								
Salaries and other benefits	**2,055**	**1,838**	**1,397**	**536**	**–**	**–**	**–**	**5,826**
Retirement benefit scheme contributions	**–**	**12**	**–**	**12**	**–**	**–**	**–**	**24**
	2,055	1,850	1,397	548	88	–	88	6,026
2007								
Fees	–	–	–	–	88	–	88	176
Other emoluments:								
Salaries and other benefits	2,055	1,838	1,397	536	–	–	–	5,826
Retirement benefit scheme contributions	–	12	–	12	–	–	–	24
	2,055	1,850	1,397	548	88	–	88	6,026

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

Of the five highest paid individuals of the Group, three (2007: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2007: two) individuals within the band of zero to HK$1,000,000 were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**1,198**	1,268
Retirement benefit scheme contributions	**32**	32
	1,230	1,300

11. PROFIT BEFORE TAXATION

	2008 **HK$'000**	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 10)	**6,026**	6,026
Other staff costs		
Salaries and other benefits	**68,863**	59,248
Retirement benefit scheme contributions	**2,198**	1,803
Total staff costs	**77,087**	67,077
Auditor's remuneration	**878**	895
Depreciation	**11,481**	8,826
Amortisation of prepaid lease payments	**218**	192
Allowance for inventories	**8,665**	–
Cost of inventories recognised as expenses	**452,551**	466,745
Impairment loss on trade receivables	**5**	–
Net foreign exchange loss	**476**	–
Loss on disposal of property, plant and equipment	**11**	–
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. INCOME TAX EXPENSE

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. Majority of the subsidiaries are subject to tax in ROC. The domestic income tax rate of 25% represents income tax rate in the ROC.

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

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

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**9,736**	23,571
Tax at the domestic income tax rate of 25% (2007: 25%)	**2,434**	5,893
Tax effect of income not taxable for tax purpose	**(3,287)**	(7,847)
Tax effect of expenses not deductible for tax purpose	**1,386**	406
Tax effect of unrecognised tax losses	**1,262**	4,889
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(13)**	(173)
Others	**(112)**	(79)
Taxation charge for the year	**1,670**	3,089

At 31 December 2008, the Group has deductible temporary differences of HK$882,000 (2007: HK$557,000) and unused tax losses of HK$39,979,000 (2007: HK$34,931,000) 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

For the year ended 31 December 2008

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividend recognised as distribution during the year:		
2007 Final – HK1.2 cents (2007: 2006 Final – HK1.5 cents) per share	**3,840**	4,800

The 2008 final dividend of HK1.0 cents (2007: HK1.2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
Profit for the year	**8,066**	20,482
	'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 Company did not have any outstanding share options at the balance sheet dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. 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 2007	32,702	4,192	14,258	3,432	712	34,011	1,861	91,168
Currency realignment	2,449	374	348	146	61	1,614	102	5,094
Additions	190	8,823	2,913	494	177	7,254	1,468	21,319
Transfers	95	(4,424)	1,497	404	–	2,428	–	–
Disposals	–	–	–	(134)	–	(15)	–	(149)
At 31 December 2007	35,436	8,965	19,016	4,342	950	45,292	3,431	117,432
Currency realignment	2,115	391	302	119	55	1,938	102	5,022
Additions	150	4,942	3,733	362	13	3,992	101	13,293
Transfers	11,477	(12,135)	658	–	–	–	–	–
Disposals	–	–	–	–	–	–	(108)	(108)
At 31 December 2008	49,178	2,163	23,709	4,823	1,018	51,222	3,526	135,639
DEPRECIATION								
At 1 January 2007	2,506	–	4,639	2,191	608	24,397	1,235	35,576
Currency realignment	217	–	96	60	50	1,363	62	1,848
Provided for the year	696	–	2,703	435	108	4,577	307	8,826
Eliminated on disposals	–	–	–	(134)	–	(10)	–	(144)
At 31 December 2007	3,419	–	7,438	2,552	766	30,327	1,604	46,106
Currency realignment	205	–	103	46	45	1,241	54	1,694
Provided for the year	920	–	3,757	596	86	5,660	462	11,481
Eliminated on disposals	–	–	–	–	–	–	(52)	(52)
At 31 December 2008	4,544	–	11,298	3,194	897	37,228	2,068	59,229
CARRYING VALUES								
At 31 December 2008	44,634	2,163	12,411	1,629	121	13,994	1,458	76,410
At 31 December 2007	32,017	8,965	11,578	1,790	184	14,965	1,827	71,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

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

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

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

As at 31 December 2008, the Group has not yet obtained the legal title of the building with an aggregate carrying amount of HK$11,421,000 (2007: Nil).

16. 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:

	2008 **HK$'000**	2007 HK$'000
Current asset (included in trade and other receivables)	**218**	199
Non-current asset	**9,714**	8,947
	9,932	9,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2007	2,880
Increase in fair value recognised in the consolidated income statement	1,060
At 31 December 2007	3,940
Decrease in fair value recognised in the consolidated income statement	(420)
At 31 December 2008	3,520

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 2008 and 2007 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 was arrived at by reference to market evidence of transaction prices for similar properties.

18. AVAILABLE-FOR-SALE INVESTMENT

	2008 **HK$'000**	2007 HK$'000
Unlisted equity security, at cost	**200**	–

The above unlisted investment represents investment in unlisted equity security issued by private entity incorporated in Hong Kong. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

19. CLUB DEBENTURE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

20. INVENTORIES

	2008	2007
	HK$'000	HK$'000
Raw materials and consumables	**16,262**	35,791
Work in progress	**2,927**	1,209
Finished goods	**13,886**	21,457
	33,075	58,457

21. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	HK$'000
Trade receivables	**107,160**	142,231
Less: Allowance for doubtful debts	**(544)**	(3,228)
	106,616	139,003
Other receivables	**3,330**	5,189
Total trade and other receivables	**109,946**	144,192

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

	2008	2007
	HK$'000	HK$'000
0-30 days	**33,468**	40,738
31-120 days	**66,111**	90,626
121-180 days	**3,359**	6,965
Over 180 days	**3,678**	674
	106,616	139,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2008 **HK$'000**	2007 HK$'000
USD	**1,451**	103,250
NTD	**91**	1,393
RMB	**–**	50
HKD	**–**	6

Ageing of trade receivables which are past due but not impaired

	2008 **HK$'000**	2007 HK$'000
31-120 days	**5,737**	16,001
121-180 days	**2,374**	4,358
Over 180 days	**3,678**	672
	11,789	21,031

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

Movement in the allowance for doubtful debts is set out below:

	2008 **HK$'000**	2007 HK$'000
Balance at beginning of the year	**3,228**	3,228
Impairment losses recognised on receivables	**5**	–
Amounts written off as uncollectible	**(2,689)**	–
Balance at end of the year	**544**	3,228

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$11,789,000 (2007: HK$21,031,000) which have been past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 137 days (2007: 96 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

22. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits of HK$26,116,000 (2007: HK$36,406,000) at fixed interest rates ranging from 0.2% to 4.53% (2007: 2.5% to 5.09%) per annum and bank balance at variable interest rates with effective interest rate ranging from 0.01% to 1.75% (2007: 0.5% to 4.14%) per annum.

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

	2008 **HK$'000**	2007 HK$'000
USD	**3,567**	29,290
NTD	**51**	3,709
RMB	**21**	670

23. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period ranging from 30 days to 150 days (2007: 30 days to 150 days) from its trade suppliers.

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

	2008 **HK$'000**	2007 HK$'000
Trade payables		
Within 30 days	**14,726**	28,153
From 31 days to 90 days	**32,718**	62,217
From 91 days to 150 days	**31,666**	50,821
Over 150 days	**4,568**	4,952
	83,678	146,143
Other payables	**26,155**	30,589
	109,833	176,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. TRADE AND OTHER PAYABLES *(Continued)*

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

	2008 **HK$'000**	2007 HK$'000
USD	**2,097**	32,749
NTD	**5,224**	84,785
RMB	**67**	6,303

24. AMOUNTS DUE TO DIRECTORS

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

25. SHARE CAPITAL

	Number of shares 2008 & 2007	**Amount 2008 & 2007** 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

26. COMMITMENTS

	2008 HK$'000	2007 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	–	4,253
– establishment of an unlisted company with 6% capital injection	3,104	–

27. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises was HK$1,395,000 (2007: HK$853,000).

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

	2008 HK$'000	2007 HK$'000
Within one year	783	114
In the second to fifth year inclusive	–	86
	783	200

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$166,000 (2007: HK$1,065,000) before deduction of direct operating expenses of approximately HK$24,000 (2007: HK$64,000).

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

	2008	2007
	HK$'000	HK$'000
Within one year	**75**	126
In the second to fifth year inclusive	**–**	75
	75	201

28. SHARE OPTION SCHEME

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme and a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong and the ROC, respectively. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 2% to 6% of relevant payroll costs to the schemes, which contribution is matched by employees.

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

The total cost charged to the consolidated income statement of HK$2,222,000 (2007: HK$1,827,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 24, during the year, the Group entered into the following transactions with connected and related parties:

Name	Nature of transactions	**2008** **HK$'000**	2007 HK$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	**149**	143
Glory Mark Enterprises Limited ("GM Enterprises")	Rental paid by the Group	**604**	252
San Chen Company ("San Chen")	Rental paid by the Group	**149**	143

Mr. Pang Kuo-Shi, 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 holds 40% interest in San Chen. All the above related parties are also connected persons as defined under Chapter 20 of the Rules Governing the listing of Securities on the Growth Enterprise Market of the Stock Exchange that constitutes to connected transactions.

Details of the key management remuneration are set out in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2008 and 2007 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly	Indirectly	Principal activities
Glory Mark Electronic Limited	Incorporated	Samoa/ ROC	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/ Hong Kong	US$50,000 Ordinary shares	–	100%	Trading of connectivity products mainly for computers and peripheral products in Hong Kong
Glory Mark International (Holdings) Limited	Incorporated	British Virgin Islands/ Hong Kong	US$400 Ordinary shares	100%	–	Investment holding
東莞亞聯科技電子有限公司 Dongguan Asia-Link Technology Ltd. (Note c)	Wholly foreign-owned enterprise	PRC	HK$32,068,440 Paid up registered capital	–	100%	Manufacture of connectivity products mainly for computers and peripheral products
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$2,419,501 Paid up registered capital (Note d)	–	100%	Manufacture of connectivity products mainly for computers and peripheral products
Link Win International Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary shares	–	100%	Investment holding
Link Win (Macau) Limited	Incorporated	Macau	MOP$25,000 Ordinary shares	–	100%	Trading of connectivity products mainly for computers and peripheral products
Eastglory International Limited (Note e)	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. PARTICULARS OF SUBSIDIARIES *(Continued)*

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 had 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 2008, the registered capital was HK$35,360,000 (2007: HK$35,360,000) of which HK$32,068,440 (2007: HK$30,368,440) had been paid by the Group.

(d) At 31 December 2008, the registered capital was US$2,680,000 (2007: US$2,680,000) of which US$2,419,501 (2007: US$2,269,757) had been paid by the Group.

(e) The company was newly incorporated in 2008.

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

FINANCIAL SUMMARY

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	260,475	277,081	381,551	523,541	**498,734**
Profit for the year	16,663	21,291	21,547	20,482	**8,066**

	At 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	180,610	220,992	267,052	343,989	**285,763**
Total liabilities	(84,777)	(108,281)	(135,128)	(193,923)	**(129,681)**
Shareholders' funds	95,833	112,711	131,924	150,066	**156,082**