GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159

Annual Report

2009

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENCE NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Wong Ngok Chung, *HKICPA*

AUTHORISED REPRESENTATIVE

Wong Chun
Wong Ngok Chung

COMPLIANCE OFFICER

Wong Ngok Chung

QUALIFIED ACCOUNTANT

Wong Ngok Chung, *HKICPA*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield 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

Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

STOCK CODE

8159

CHAIRMAN'S STATEMENT

To Our Shareholders,

In 2009, we emerged from the global financial crisis with a remarkable recovery in the performance of our operation, a much better profit for our group. The Group recorded a profit after tax of HK$24.6 million, representing an increase of 203.7% as compared to the HK$8.1 million earned in 2008. Basic earnings per share reached HK7.77 cents as compared to HK2.52 cents of 2008. Throughout 2009, the Group was focused to minimize its operating risks in order to deal with the financial crisis. These efforts were rewarded to the strong financial position of the Group. As at 31 December 2009, total consolidated net assets stood at HK$178.0 million, an increase of HK$21.9 million over the position at the end of 2008. Bank balances and cash was HK$90.2 million, an increase of HK$38.5 million as compared to the year-end of 2008. The Group had no interest-bearing debt as at 31 December 2009.

Although the outlook for the global economy has brightened in recent months following the unprecedented massive global policy stimulus, there remain a number of uncertainties and potential pitfalls in the external environment. The outlook remains challenging in 2010. The PRC government substantially increases the minimum wage rate this year, which will directly push up our manpower costs as well as material prices from most of our suppliers.

The Group will adopt a number of measures in order to minimize these adverse effects including:–

- carrying out industrial automation and upgrading management operating system to reduce the increasing manpower costs
- investing in components manufacture to secure a lower material cost
- to identify and minimize operating risks to promote the Group's competitive power
- to develop high valued-added products

Challenges are driving forces for improvements. My team members are prepared to deal with these challenges in a cautious but positive manner and shall work diligently towards this goal in coming year.

To share the results with our honourable shareholders, the Directors will propose a final dividend of HK2.0 cents per share and an issue of bonus shares on the basis of one bonus share for every one existing share at the forthcoming annual general meeting to be held on Tuesday, 11 May 2010.

Last but not least, on behalf of the board of directors of the Company, I would like to express my gratitude to our customers, shareholders and business partners for their continuous and valuable supports on the Group. I would also like to express my heartfelt appreciation to the senior management team and all staff for their hard work and dedication especially in these hard seasons. I am confident that with our concerted effort, we will be able to deliver encouraging results in the years to come.

Pang Kuo-Shi
Chairman

Hong Kong, 26 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER AND PROFIT

For the year ended 31 December 2009, the Group recorded a consolidated revenue of approximately HK$370.4 million for the year ended 31 December 2009 (2008: approximately HK$498.7 million), representing a decrease of approximately HK$128.3 million or 25.7% as compared to the last year. The drop in revenue was mainly due to the sluggish global economy almost throughout 2009.

Despite of the drop in revenue, the Group recorded a profit of approximately HK$24.6 million (2008: approximately HK$8.1 million), representing an increase of 203.7%.

Turnover to OEM customers and retail distributors were HK$301.3 million and 69.2 million respectively, decreased by 25.3% and 27.7% respectively as compared to 2008. In terms of geographical segments analysis, the turnover to USA increased by 72.4%. Turnover to Taiwan, Japan, Korea and other regions decreased by 21.8%, 19.7%, 66.6% and 30.9% respectively.

YEAR IN REVIEW

Liquidity and Financial Resources

To deal with the financial crisis in 2009, the Group had implemented a series of measures to strengthen its financial position. These measures turned out to be successful. As at 31 December 2009, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK$91.6 million (2008: HK$65.1 million), 90.2 million (2008: HK$51.7 million) and 177.7 million (2008: HK$156.1 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of 1.70 (2008: 1.50). The Group had no interest-bearing debt at the end of both years.

Research and Development Capabilities

It is an ongoing strategy of the Group to focus on our research and development capabilities, as it is critical in maintaining the Group's competitive edge in the market. The Group had 76 engineers/technicians in the research and development department as at 31 December 2009.

Sales and Marketing

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

Employees

As at 31 December 2009, the Group had 2,065 (2008: 2,266) employees. Employee remuneration, excluding directors' emoluments, for the year ended 31 December 2009 was approximately HK$60.1 million (2008: HK$71.1 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 8.2%, 58.0%, 22.2% and 11.6% respectively for the year ended 31 December 2009. (2008: 33.8%, 42.7%, 16.0% and 7.5% respectively).

Prospect

A great deal of uncertainty clouds the outlook for the second half of 2010 and beyond. Despite of the unprecedented global monetary and fiscal stimulus, the recovery remains fragile and subject to uncertainty. The jobless situation in Western countries and the threat of inflation may drag the momentum of recovery.

Another big challenge to the Group in 2010 is the sharp increase in labour cost. The Guangdong province government has announced an increase in minimum wage rate of over 21% in 2010. This PRC government policy certainly leads to the increase of the labour costs and the prices of most of our suppliers in 2010.

The Directors will not underestimate the risks of all these challenges but will positively adopt the following measures to counter-balance the adverse effects:–

- Continue the successful measures adopted in 2009 to minimize the operating risks
- Invest in automation in order to reduce the impact of increasing labour costs
- Invest in component manufacture to reduce product cost
- Enhance the management operating system of the Group to improve the overall operating efficiencies
- To keep sufficient cash on hand and seek for appropriate investment opportunities

The Group is also adopting severe cost controlling measures to minimize its operating costs.

To provide a better on-site service to the customers in Yangtze River Delta, the Group is establishing a manufacturing site in Suzhou. This investment will help to strengthen the marketing competitiveness of the Group.

Summing all these, the Directors are cautiously optimistic to the operating results of the Group in coming quarters.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Directors proposed a final dividend of HK2.0 cents (2008: HK1.0 cents) per share, which is subject to approval by the shareholders in general meeting for the year ended 31 December 2009. The final dividend will be payable on 28 May 2010 to the shareholders whose names appear on the register of Members of the Company on 5 May 2010.

Bonus Issue

The Directors also propose a conditional issue of bonus shares (the "Bonus Share") on the basis of one bonus share for every one existing shares (the "Bonus Share Issue"), credited as fully paid at par, for one existing issued Share of HK$0.1 held by the shareholders ("Shareholders") whose names appear on the register of members of the Company on 5 May 2010 (the "Record Date") and subject to the terms and conditions as listed below. The Bonus Shares will rank pari passu in all respects with the existing issue Shares except to the extent that the holders of the Bonus Shares will not be entitled to participate in the proposed Bonus Share Issue and the final dividend for the year ended 31 December 2009.

On the assumptions that no further Shares will be allotted and issued or repurchased prior to the Record Date and based on 320,000,000 Shares in issue, there would be 320,000,000 Shares in issue on the Record Date. Accordingly, the total number of Bonus Shares to be issued may amount to 320,000,000.

It is proposed that the Directors be authorised to capitalize an amount of not less than HK$32,000,000 standing to the credit of the share premium account of the Company and to apply such amounts in paying up in full the Bonus Shares.

Listing and dealings

Application will be made to the GEM Listing Committee of the Exchange for the listing of, and permission to deal in, the Bonus Shares. The issued Shares are listed and dealt in on the Exchange. No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchange, nor is listing or permission to deal in such securities on any other stock exchange being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Bonus Shares on the Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares on the Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Exchange on any trading date is required to take place in CCASS on the second trading date thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

Dealings in the Bonus Shares on the Exchange are expected to commence on date listed on the "Circular On Bonus Issue of Shares, General Mandates To Issue And Repurchase Shares, Re-election Of Directors, And Notice of Annual General Meeting" to be issued by the Company and will be subject to stamp duty in Hong Kong.

Conditions of the Bonus Share Issue

The Bonus Share Issue will be conditional upon:

(i) the passing of an ordinary resolution to approve the bonus issue by the Shareholders at the AGM; and

(ii) the GEM Listing Committee of the Exchange granting the listing of, and permission to deal in, the Bonus Shares.

Reasons for the Bonus Share Issue

The Directors believe that the Bonus Share Issue will enhance the liquidity of the Shares in the market and the Bonus Share Issue will also provide the Qualifying Shareholders with an opportunity to obtain further equity participation in the Company, thereby enlarging the Company's shareholder and capital base.

Closure of Register

The Register of Members will be closed from 5 May 2010, Wednesday to 11 May 2010, Tuesday (both days are inclusive), during which period no share transfer will be registered. In order to be entitled to the recommended final dividend and Bonus Share, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Hong Kong Registrars Limited at Shops 1712 -1726, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on 4 May 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Kuo-Shi also know as Steve Pang (龐國璽), aged 52, 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 28 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 50, 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 25 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, General Committee Member of Federation of Hong Kong Industries and Vice President of Auto Parts Committee, 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 and Innovation & Technology Advisory Committee of Hong Kong Trade Development Council. He has also awarded as Fellow by The Professional Validation Council of Hong Kong Industries and Fellow Member by Asian Knowledge Management Association respectively in 2006.

Mr. Hsia Chieh-Wen, also know as Paul Hsia (夏傑文), aged 48, 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 21 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 57, 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 28 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 71, 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 51, 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 58, 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 five years. Mr. Wong is an non-executive director of CDC Corporation (NASDAQ: CHINA) and CDC Software (NASDAQ: CDCS) and the chief executive officer of CDC Games, China.com Inc (HKGEM: 8006). He currently sits on the boards of 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 52, 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 48, 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 24 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 51, 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 2009.

PRINCIPAL ACTIVITIES

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

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for about 28.6% and 49.5%, respectively, of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 35.1% and 67.4%, 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 statement of comprehensive income on page 24.

The directors now recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members on 5 May 2010, amounting to HK$6,400,000, and the retention of the remaining profit for the year of HK$18,455,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 December 2009. The net increase in fair value of investment properties, which has been credited directly to profit or loss in consolidated statement of comprehensive income, amounted to HK$780,000.

The Group expended approximately HK$4,444,000 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 13 and 15 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 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2009 comprised the retained profits of HK$41,417,000 (2008: HK$44,659,000).

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. Wong Ngok Chung, Mr. Hsia Chieh-Wen and Mr. Wong Kwong Chi 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

At 31 December 2009, the interests of the directors and their associates in the shares and underlying shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by the Stock Exchange (the "GEM Listing Rules"), were as follows:

Ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Pang Kuo-Shi ("Mr. Pang")	Held by family trust (Note)	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,272,000	18.21%
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 2009.

SHARE OPTION SCHEME

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

During the year, no share options were granted or exercised. As at 31 December 2009, no share options were outstanding.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUFFICIENT OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

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 Futures Ordinance discloses no other person as having a modifiable interest or short positions in the issued share capital of the Company at 31 December 2009.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 to the consolidated financial statements, there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

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

DIRECTORS' REPORT

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$124,000.

AUDITOR

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

On behalf of the Board

CHAIRMAN
Pang Kuo-Shi
26 March 2010

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 2009, 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 26 March 2010 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 2010.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditors, Deloitte Touche Tomatsu, to the Company in the year 2009 amounted to HK$610,000 and HK$70,000 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

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

CORPORATE GOVERNANCE REPORT

(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 2009, 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 24 to 65, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**370,446**	498,734
Cost of sales		**(311,353)**	(452,551)
Gross profit		**59,093**	46,183
Other income		**3,048**	3,115
Change in fair value of investment properties	15	**780**	(420)
Selling and distribution expenses		**(9,717)**	(9,697)
Administrative expenses		**(26,661)**	(29,441)
Bank overdraft interest		**(7)**	(4)
Profit before taxation	10	**26,536**	9,736
Income tax expense	11	**(1,891)**	(1,670)
Profit for the year		**24,645**	8,066
Other comprehensive (expense) income for the year			
Exchange differences arising from translation of foreign operations		**(7)**	1,790
Total comprehensive income for the year		**24,638**	9,856
Profit for the year attributable to:			
Equity holders of the Company		**24,855**	8,066
Minority interests		**(210)**	–
		24,645	8,066
Total comprehensive income attributable to:			
Equity holders of the Company		**24,848**	9,856
Minority interests		**(210)**	–
		24,638	9,856
Earnings per share	12		
Basic		**HK7.77 cents**	HK2.52 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**69,806**	76,410
Prepaid lease payments	14	**9,507**	9,714
Investment properties	15	**4,300**	3,520
Available-for-sale investments	16	**1,566**	200
Club debenture	17	**560**	560
Deposits for land use rights		**602**	602
		86,341	91,006
CURRENT ASSETS			
Inventories	18	**29,521**	33,075
Trade and other receivables	19	**102,409**	109,946
Bank balances and cash	20	**90,180**	51,736
		222,110	194,757
CURRENT LIABILITIES			
Trade and other payables	21	**108,671**	109,833
Amounts due to directors	22	**1,371**	1,371
Taxation payable		**20,440**	18,477
		130,482	129,681
NET CURRENT ASSETS		**91,628**	65,076
		177,969	156,082
CAPITAL AND RESERVES			
Share capital	23	**32,000**	32,000
Reserves		**145,730**	124,082
Equity attributable to equity holders of the Company		**177,730**	156,082
Minority interests		**239**	–
		177,969	156,082

The consolidated financial statements on pages 24 to 65 were approved and authorised for issue by the Board of Directors on 26 March 2010 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to equity holders of the Company						
	Share capital HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	32,000	680	5,324	112,062	150,066	–	150,066
Profit for the year	–	–	–	8,066	8,066	–	8,066
Other comprehensive income	–	–	1,790	–	1,790	–	1,790
Total comprehensive income for the year	–	–	1,790	8,066	9,856	–	9,856
Dividend recognised as distribution	–	–	–	(3,840)	(3,840)	–	(3,840)
At 31 December 2008	32,000	680	7,114	116,288	156,082	–	156,082
Profit (loss) for the year	**–**	**–**	**–**	**24,855**	**24,855**	**(210)**	**24,645**
Other comprehensive expense	**–**	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
Total comprehensive income for the year	**–**	**–**	**(7)**	**24,855**	**24,848**	**(210)**	**24,638**
Contribution from minority shareholders	**–**	**–**	**–**	**–**	**–**	**449**	**449**
Dividend recognised as distribution	**–**	**–**	**–**	**(3,200)**	**(3,200)**	**–**	**(3,200)**
At 31 December 2009	**32,000**	**680**	**7,107**	**137,943**	**177,730**	**239**	**177,969**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**26,536**	9,736
Adjustments for:		
Bank overdraft interest	**7**	4
Interest income	**(182)**	(355)
Depreciation	**11,147**	11,481
Amortisation of prepaid lease payments	**220**	218
(Reversal of) allowance for inventories	**(6,914)**	8,665
Change in fair value of investment properties	**(780)**	420
Loss on disposal of property, plant and equipment	**1**	11
Impairment loss on trade receivables	**24**	5
Operating cash flows before movements in working capital	**30,059**	30,185
Decrease in inventories	**10,407**	16,717
Decrease in trade and other receivables	**7,507**	34,306
Decrease in trade and other payables	**(1,184)**	(69,157)
Cash generated from operations	**46,789**	12,051
Interest paid	**(7)**	(4)
Income taxes paid	**–**	(31)
NET CASH FROM OPERATING ACTIVITIES	**46,782**	12,016
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,444)**	(12,278)
Purchase of available-for-sale investments	**(1,366)**	(200)
Interest received	**182**	355
Payment of prepaid lease payments	**–**	(472)
Proceeds on disposal of property, plant and equipment	**–**	45
NET CASH USED IN INVESTING ACTIVITIES	**(5,628)**	(12,550)
FINANCING ACTIVITIES		
Dividends paid	**(3,200)**	(3,840)
Contribution from minority shareholders	**449**	–
NET CASH USED IN FINANCING ACTIVITIES	**(2,751)**	(3,840)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**38,403**	(4,374)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**51,736**	55,998
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**41**	112
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**90,180**	51,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 par value of HK$0.1 each of the Company (the "Share") 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 29.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8).

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

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.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, 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 Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

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

Revenue from sale of goods is recognised when 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 on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 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 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 profit or loss in the period 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 values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the 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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale (for which the commencement date for capitalisation is on or after 1 January 2009), are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax 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 measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 loss is 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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions (Continued)

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.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of 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 the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For 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 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(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 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(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 and the cumulative gain or loss that had been recognised directly in other comprehensive income 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 2009

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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and 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 issues 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 2009, the carrying amount of trade receivables is HK$99,088,000 (2008: HK$106,616,000) (net of allowance for doubtful debts of HK$568,000 (2008: HK$544,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**191,900**	160,631
Available-for-sale investment	**1,566**	200
Financial liabilities at amortised cost	**96,123**	98,542

(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) Market risk

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk (Continued)

Currency risk *(Continued)*

	2009	2008
	HK$'000	HK$'000
Assets		
USD (Note 1)	**2,751**	5,018
New Taiwan dollar ("NTD") (Note 2)	**23**	142
Renminbi ("RMB") (Note 2)	**–**	21
Liabilities		
USD (Note 1)	**2,112**	2,097
NTD (Note 2)	**174**	5,224
RMB (Note 2)	**214**	67

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

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

The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB 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**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in profit	**9**	2	**8**	255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk (Continued)

Interest rate risk

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

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable rate bank balances at the end of the reporting period. A 20 (2008: 20) basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 4 (2008: 20) basis point higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$15,600 (2008: HK$32,000).

(ii) 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 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. At 31 December 2009, the top five customers of the Group accounted for about 63.1% (2008: 65.1%) of the Group's trade receivables. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Liquidity risk

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

	0-30 days	31-90 days	91-365 days	More than 1 year	Total undiscoutned cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2009						
Non-interest bearing	**32,869**	**60,002**	**3,252**	**–**	**95,793**	**96,123**
As at 31 December 2008						
Non-interest bearing	58,663	31,809	8,070	–	98,542	98,542

(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.

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 to their fair values.

7. REVENUE

	2009 HK$'000	2008 HK$'000
Sales of connectivity products mainly for computers and peripheral products	**370,446**	498,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's executive directors, for the purpose of allocating resources to the segment and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	2009			2008		
	OEM customers HK$'000	**Retail distributors HK$'000**	**Total HK$'000**	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
OPERATING RESULTS						
SEGMENT REVENUE						
– External sales	**301,268**	**69,178**	**370,446**	403,064	95,670	498,734
SEGMENT PROFIT	**51,067**	**8,026**	**59,093**	38,071	8,112	46,183
Unallocated expenses			**(36,378)**			(39,138)
Other income			**3,048**			3,115
Change in fair value of investment properties			**780**			(420)
Bank overdraft interest			**(7)**			(4)
Profit before taxation			**26,536**			9,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. SEGMENT INFORMATION *(Continued)*

	2009			2008		
	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000	OEM customers HK$'000	Retail distributors HK$'000	Total HK$'000
ASSETS AND LIABILITIES						
SEGMENT ASSETS						
Trade receivables (Note)	79,469	19,619	99,088	90,203	16,413	106,616
Property, plant and equipment and inventories (Note)			99,327			109,485
			198,415			216,101
Unallocated assets			110,036			69,662
Total assets			308,451			285,763

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

OTHER INFORMATION (included in segment results)

	OEM customers 2009	Retail distributors 2009	Total 2009	OEM customers 2008	Retail distributors 2008	Total 2008
Impairment loss on trade receivables	24	–	24	5	–	5
Depreciation	8,531	1,959	10,490	8,698	2,064	10,762

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. SEGMENT INFORMATION *(Continued)*

Geographical information

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

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2009	2008
	HK$'000	HK$'000
ROC	**228,548**	292,323
Japan	**65,310**	81,327
USA	**30,857**	17,902
Korea	**26,447**	79,290
Others	**19,284**	27,892
	370,446	498,734

	Non-current assets (excluding available-for-sale investments and club debentures)	
	2009	2008
	HK$'000	HK$'000
PRC	**78,646**	84,956
Hong Kong	**5,176**	4,698
Others	**393**	592
	84,215	90,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

Each of the two (2008: three) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. For the year ended 31 December 2009, revenue of HK$129,836,000[1] and HK$38,273,000[2] are attributed to these two customers respectively. For the year ended 31 December 2008, revenue of HK$136,341,000[1], HK$74,279,000[1] and HK$57,809,000[1] were attributed to those three customers, respectively.

1 Revenue from OEM customers

2 Revenue from Retail distributors

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

Directors

	Mr. Pang Kuo-Shi	Mr. Wong Chun	Mr. Hsia Chieh-Wen	Mr. Wong Ngok Chung	Dr. Lui Ming Wah, JP	Mr. Lau Ho Kit, Ivan	Mr. Wong Kwong Chi	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009								
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**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

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

Employees

Of the five highest paid individuals of the Group, three (2008: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (2008: two) individuals within the band of zero to HK$1,000,000 were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**875**	1,198
Retirement benefit scheme contributions	**24**	32
	899	1,230

10. PROFIT BEFORE TAXATION

	2009 **HK$'000**	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 9)	**6,002**	6,026
Other staff costs		
Salaries and other benefits	**57,638**	68,863
Retirement benefit scheme contributions	**2,425**	2,198
Total staff costs	**66,065**	77,087
Auditor's remuneration	**861**	878
Depreciation	**11,147**	11,481
Amortisation of prepaid lease payments	**220**	218
Cost of inventories recognised as expenses (including reversal of allowance for inventories of HK$6,914,000 (2008: allowance for inventories of HK$8,665,000) (Note))	**318,267**	452,551
Impairment loss on trade receivables	**24**	5
Net foreign exchange loss	**–**	476
Loss on disposal of property, plant and equipment	**1**	11
after crediting:		
Interest income on bank deposits recorded as other income	**182**	355
Net foreign exchange gain	**62**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. PROFIT BEFORE TAXATION *(Continued)*

Note: During the year, raw materials that were impaired in 2008 were consumed during the year. Thus, a reversal of allowance for inventories of approximately HK$6,914,000 have been reversed.

11. INCOME TAX EXPENSE

The amount represents current tax charge on assessable profit arising in jurisdictions other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdictions. Majority of the subsidiaries are subject to tax in ROC. The domestic income tax rate of 25% represents income tax rate in the ROC. The applicable enterprise income tax rate of the PRC is 25% (2008: 25%) in accordance with the relevant income tax law and regulations in the PRC, except for certain subsidiaries of the Company, which are taxed at preferential rates.

No provision for Hong Kong Profits Tax has been made in the consolidated 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 statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**26,536**	9,736
Tax at the domestic income tax rate of 25% (2008: 25%)	**6,634**	2,434
Tax effect of income not taxable for tax purpose	**(6,862)**	(3,287)
Tax effect of expenses not deductible for tax purpose	**1,686**	1,386
Tax effect of unrecognised tax losses and deductible temporary differences	**866**	1,262
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(295)**	(13)
Others	**(138)**	(112)
Taxation charge for the year	**1,891**	1,670

At 31 December 2009, the Group has deductible temporary differences of HK$984,000 (2008: HK$882,000) and unused tax losses of HK$43,441,000 (2008: HK$39,979,000) 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 2009

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Profit for the year attributable to the equity holders of the Company	**24,855**	8,066
	'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 end of the reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2008	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
Currency realignment	77	–	16	12	2	72	10	189
Additions	61	330	875	190	–	2,845	143	4,444
Transfers	–	(111)	111	–	–	–	–	–
Disposals	–	–	–	(65)	–	(21)	–	(86)
At 31 December 2009	49,316	2,382	24,711	4,960	1,020	54,118	3,679	140,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

	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
DEPRECIATION								
At 1 January 2008	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
Currency realignment	7	–	11	9	2	54	6	89
Provided for the year	1,013	–	4,116	597	60	4,892	469	11,147
Eliminated on disposals	–	–	–	(64)	–	(21)	–	(85)
At 31 December 2009	5,564	–	15,425	3,736	959	42,153	2,543	70,380
CARRYING VALUES								
At 31 December 2009	43,752	2,382	9,286	1,224	61	11,965	1,136	69,806
At 31 December 2008	44,634	2,163	12,411	1,629	121	13,994	1,458	76,410

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

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

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

As at 31 December 2009, the Group has not yet obtained the legal title of the building with an aggregate carrying amount of HK$11,195,000 (2008: HK$11,421,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. 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:

	2009	2008
	HK$'000	HK$'000
Current asset (included in trade and other receivables)	**220**	218
Non-current asset	**9,507**	9,714
	9,727	9,932

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	3,940
Decrease in fair value recognised in the consolidated statement of comprehensive income	(420)
At 31 December 2008	3,520
Increase in fair value recognised in the consolidated statement of comprehensive income	780
At 31 December 2009	4,300

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 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited and DTZ Debenham Tie Leung Limited respectively, independent qualified professional valuers not connected with the Group. Jointgoal Surveyors Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. AVAILABLE-FOR-SALE INVESTMENTS

	2009 **HK$'000**	2008 HK$'000
Unlisted equity securities, at cost	**1,566**	200

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

17. 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.

18. INVENTORIES

	2009 **HK$'000**	2008 HK$'000
Raw materials and consumables	**10,413**	16,262
Work in progress	**6,839**	2,927
Finished goods	**12,269**	13,886
	29,521	33,075

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For the year ended 31 December 2009

19. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**99,656**	107,160
Less: Allowance for doubtful debts	**(568)**	(544)
	99,088	106,616
Other receivables	**3,321**	3,330
Total trade and other receivables	**102,409**	109,946

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 presented based on the invoice date net of allowance for doubtful debts at the reporting date:

	2009 HK$'000	2008 HK$'000
0-30 days	**37,269**	33,468
31-120 days	**59,547**	66,111
121-180 days	**2,271**	3,359
Over 180 days	**1**	3,678
	99,088	106,616

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:

	2009 HK$'000	2008 HK$'000
USD	**2,209**	1,451
NTD	**23**	91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2009 **HK$'000**	2008 HK$'000
31-120 days	**6,117**	5,737
121-180 days	**1,681**	2,374
Over 180 days	**1**	3,678
	7,799	11,789

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

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

	2009 **HK$'000**	2008 HK$'000
Balance at beginning of the year	**544**	3,228
Impairment losses recognised on receivables	**24**	5
Amounts written off as uncollectible	**–**	(2,689)
Balance at end of the year	**568**	544

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$7,799,000 (2008: HK$11,789,000) 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 89 days (2008: 137 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits of HK$28,437,000 (2008: HK$26,116,000) at fixed interest rates ranging from 0.04% to 1.415% (2008: 0.2% to 4.53%) per annum and bank balance of HK$60,234,000 (2008: HK$25,313,000) at variable interest rates with effective interest rates ranging from 0.006% to 0.36% (2008: 0.01% to 1.75%) 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:

	2009 **HK$'000**	2008 HK$'000
USD	**542**	3,567
NTD	**–**	51
RMB	**–**	21

21. TRADE AND OTHER PAYABLES

The Group has been granted an average credit period ranging from 30 days to 150 days (2008: 30 days to 150 days) from its trade suppliers.

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

	2009 **HK$'000**	2008 HK$'000
Trade payables		
Within 30 days	**20,356**	14,726
31 days to 90 days	**36,356**	32,718
91 days to 150 days	**23,206**	31,666
Over 150 days	**2,388**	4,568
	82,306	83,678
Other payables (Note)	**26,365**	26,155
	108,671	109,833

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. 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:

	2009 **HK$'000**	2008 HK$'000
USD	**2,112**	2,097
NTD	**174**	5,224
RMB	**214**	67

22. AMOUNTS DUE TO DIRECTORS

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

23. SHARE CAPITAL

	Number of shares 2009 & 2008	**Amount 2009 & 2008** 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

24. COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**252**	–
– establishment of an unlisted company with 6% capital injection	**2,172**	3,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

25. OPERATING LEASES

The Group as lessee

During the year, minimum lease payments made under operating leases in respect of rented premises was HK$1,084,000 (2008: HK$1,395,000).

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

	2009	2008
	HK$'000	HK$'000
Within one year	**289**	783

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

The Group as lessor

Property rental income earned during the year was HK$145,000 (2008: HK$166,000) before deduction of direct operating expenses of HK$24,000 (2008: HK$24,000).

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

	2009	2008
	HK$'000	HK$'000
Within one year	**131**	75
In the second to fifth year inclusive	**85**	–
	216	75

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. SHARE OPTION SCHEME

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

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

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

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

27. RETIREMENT BENEFIT PLANS

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

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

The total cost charged to profit or loss in the consolidated statement of comprehensive income of HK$2,450,000 (2008: HK$2,222,000) represents contributions paid and payable to these schemes by the Group in respect of the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

28. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 22, during the year, the Group entered into the following transactions with connected and related parties:

Name	Nature of transactions	2009 HK$'000	2008 HK$'000
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid by the Group	**141**	149
Glory Mark Enterprises Limited ("GM Enterprises")	Rental paid by the Group	**447**	604
San Chen Company ("San Chen")	Rental paid by the Group	**141**	149

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 connected transactions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 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 2009

29. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly	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 ("Glory Mark International")	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$33,775,640 Paid up registered capital (Note c)	–	100%	Manufacture of connectivity products mainly for computers and peripheral products
亞聯(佛岡)電子有限公司 Asia-Link (Fogang) Electronic Limited	Wholly foreign-owned enterprise	PRC	US$2,680,000 Paid up registered capital	–	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

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29. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly	Indirectly	Principal activities
Link Win (Macau) Limited	Incorporated	Macau	MOP25,000 Ordinary shares	–	100%	Trading of connectivity products mainly for computers and peripheral products
Eastglory International Limited	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	100%	Investment holding
Gloryshine Limited ("Gloryshine")	Incorporated	British Virgin Islands/ Hong Kong	US$50,000 Ordinary share	–	44.4% (Note d)	Marketing agent of the Group for selling the Group's product

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 2009, the registered capital was HK$35,360,000 (2008: HK$35,360,000) of which HK$33,775,640 (2008: HK$32,068,440) had been paid by the Group.

(d) Pursuant to the shareholders' agreement, Glory Mark International has two voting rights per each ordinary share held while the other shareholders shall have one voting right per each ordinary share held. Therefore, the Group indirectly owns 61.5% voting right and Gloryshine has been accounted for as a subsidiary of the Company. Gloryshine was newly incorporated in 2009.

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

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30. SUBSEQUENT EVENT

Subsequent to the year ended 31 December 2009, the Board proposes to make a bonus issue of shares on the basis of one new ordinary share of HK$0.10, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the Register of Members of the Company on 5 May 2010 (the "Bonus Share Issue"). The Bonus Share Issue is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 11 May 2010, and the granting the listing and permission to deal by the GEM Listing Committee of the Stock Exchange.

FINANCIAL SUMMARY

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	277,081	381,551	523,541	498,734	**370,446**
Profit for the year	21,291	21,547	20,482	8,066	**24,645**
Profit for the year attributable to:					
Owners of the Company	21,291	21,547	20,482	8,066	**24,855**
Minority interests	–	–	–	–	**(210)**
	21,291	21,547	20,482	8,066	**24,645**

	At 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	220,992	267,052	343,989	285,763	**308,451**
Total liabilities	(108,281)	(135,128)	(193,923)	(129,681)	**(130,482)**
Shareholders' funds	112,711	131,924	150,066	156,082	**177,969**
Shareholder's funds attributable to:					
Owners of the Company	112,711	131,924	150,066	156,082	**177,730**
Minority interests	–	–	–	–	**239**
	112,711	131,924	150,066	156,082	**177,969**