GLORY MARK HI-TECH (HOLDINGS) LIMITED
輝煌科技（控股）有限公司

(Incorporated in the Caymans Islands with limited liability)

(Stock Code: 8159)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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 higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This announcement, for which the directors of Glory Mark Hi-Tech (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange for the purpose of giving information with regard to the Company. The directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. *the information contained in this announcement 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 announcement misleading; and*

3. *all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

For the year ended 31 December 2009,

- Turnover of the Group amounted to approximately HK$370,446,000 (2008: approximately HK$498,734,000) which represented a decrease of approximately 25.7%;

- Profit attributable to equity holders of the Company was approximately HK$24,855,000 (2008: approximately HK$8,066,000);

- The directors of the Company ("Directors") propose a final dividend of HK2.0 cents (2008: HK1.0 cent) and a bonus issue on the basis of one bonus share for one existing issued shares (2008: Nil).

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2009, together with the comparative figures for the corresponding period of 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	3	**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		**780**	(420)
Selling and distribution expenses		**(9,717)**	(9,697)
Administrative expenses		**(26,661)**	(29,441)
Bank overdraft interest		**(7)**	(4)
Profit before taxation	5	**26,536**	9,736
Income tax expense	6	**(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	7		
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		**69,806**	76,410
Prepaid lease payments		**9,507**	9,714
Investment properties		**4,300**	3,520
Available-for-sale investments		**1,566**	200
Club debenture		**560**	560
Deposits for land use rights		**602**	602
		86,341	91,006
CURRENT ASSETS			
Inventories		**29,521**	33,075
Trade and other receivables	*9*	**102,409**	109,946
Bank balances and cash	*10*	**90,180**	51,736
		222,110	194,757
CURRENT LIABILITIES			
Trade and other payables	*11*	**108,671**	109,833
Amounts due to directors	*12*	**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		**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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Equity attributable to equity holders of the Company						
	Share capital	**Merger reserve**	**Translation reserve**	**Retained profits**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	2008
	HK$'000	*HK$'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:

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.

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
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 4).

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]

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. REVENUE

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

4. 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	**Retail distributors**	**Total**	OEM customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'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

	2009			2008		
	OEM customers	**Retail distributors**	**Total**	OEM customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'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)

	2009			2008		
	OEM customers	**Retail distributors**	**Total**	OEM customers	Retail distributors	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
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.

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

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

5. PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**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**	–

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.

6. 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	2008
	HK$'000	*HK$'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.

7. 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	2008
	HK$'000	*HK$'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.

8. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2008 Final – HK1.0 cents (2007: HK1.2 cents) per share	**3,200**	3,840

The final dividend of HK2.0 cents (2008: HK$1.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting for the year ended 31 December 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.

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'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	2008
	HK$'000	*HK$'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

Ageing of trade receivables which are past due but not impaired

	2009	2008
	HK$'000	*HK$'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	2008
	HK$'000	*HK$'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).

10. 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.

11. 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	2008
	HK$'000	*HK$'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, payables to consignees and other sundry creditors.

12. AMOUNTS DUE TO DIRECTORS

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

13. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the related party balances disclosed in note 12, 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.

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 unsecured bank overdraft at the end of both years.

Research and Development Capabilities

It is an ongoing strategy of the Group to focus on our research and development capabilities, as it is critical in maintaining the Group's competitive edge in the market. The Group had 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 (2007: 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.

Currency Risk

The Group's purchases were made in NT$, US$, HK$ and RMB which represented approximately 8.21%, 57.99%, 22.2% and 11.58% 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 manufacturing to reduce overall 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 and 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.

Dividend

The Directors proposed a final dividend of HK2.0 cents (2008: 1.0 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 qualifying shareholders (“Qualifying 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.

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 Qualifying Shareholders at the AGM; and

(ii) the GEM Listing Committee of the Stock 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.

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 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 below.

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

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.

SHARE OPTION SCHEME

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

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

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

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

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 13 to the announcement, there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2009 with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save for one exception:

Code provision A4.1 provides that non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive Directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive Directors have given the Company's shareholders the right to approve continuation of non-executive Directors' offices.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have compiled with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

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.

AUDIT COMMITTEE

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

During the year, the audit committee held three 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.

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
Pang Kuo-Shi
Chairman

Hong Kong, 26 March 2010

As at the date of this announcement, the board of Directors comprises Messrs. Pang Kuo-Shi also known as Steve Pang, Wong Chun, Hsia Chieh-Wen also known as Paul Hsia and Wong Ngok Chung being Executive Directors and Dr. Lui Ming Wah, S.B.S., JP, Mr. Lau Ho Kit, Ivan and Mr. Wong Kwong Chi being Independent Non-Executive Directors.

This Announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of publication and on the company's website at www.glorymark.com.tw/investors.htm.