



GLORY MARK HI-TECH (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited Liability)



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THE GLORY MARK OF TECHNOLOGY POWER

1st Quarterly Report **2002**

煙



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

QUARTERLY RESULTS

The board of directors (the "Directors") of the Company is pleased to announce that the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2002, together with the comparative figures for the corresponding period in 2001, as follows:

		Three months ended	
		31 March	
		2002	2001
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			<i>(Note 1)</i>
Turnover	2	37,337	33,919
Cost of sales		(27,644)	(27,094)
Gross profit		9,693	6,825
Other income	3	418	854
Selling and distribution expenses		(932)	(720)
Administrative expenses		(4,808)	(1,655)
Profit from operations		4,371	5,304
Finance cost		(1)	—
Profit before taxation	7	4,370	5,304
Taxation	4	(167)	(225)
Profit for the period		4,203	5,079
Dividend	5	—	—
Earnings per share	8		
Basic		HK1.31 cents	HK2.12 cents
Diluted		HK1.28 cents	N/A

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 13 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

The Company acts as an investment holding company.

Pursuant to a corporate reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") operated by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 13 December 2001. Details of the Group Reorganisation were set out in the prospectus dated 18 December 2001 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the three months ended 31 March 2001 (the previous corresponding period) have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reorganisation" issued by the Hong Kong Society of Accountants.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 4 January 2002.

2. TURNOVER

Turnover represents the amounts received and receivable, net of discounts and returns, from the sale of connectivity products mainly for computers and peripheral products during the period.

3. OTHER INCOME

	Three months ended	
	31 March	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Note 1)
Handling fee income	17	75
Exchange gain	—	528
Interest income	122	119
Rental income	37	39
Subcontracting fee income	21	—
Commission income	108	—
Others	113	93
	<u>418</u>	<u>854</u>

4. TAXATION

The taxation provided represents PRC enterprise income tax which is calculated at the rates prevailing.

No provision for Hong Kong Profits Tax has been made in the financial statements, as the Group has no assessable profit in Hong Kong for the period.

No provision for deferred taxation has been made in the financial statements, as there were no material timing differences arising during the period and at the balance sheet date.

5. DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: nil).

6. RESERVES

There has been no transfer to or from reserves during the three months ended 31 March 2002 (2001: nil).

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging and crediting the following:

	For the three months ended	
	31 March	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
		<i>(Note 1)</i>
After charging —		
Staff cost (including directors' remunerations)	6,191	3,442
Operating lease rentals in respect for office premise	72	75
Depreciation of fixed assets	612	497
Auditors' remuneration	167	200
	<u>167</u>	<u>200</u>
After crediting —		
Interest income on bank deposits	122	119
	<u>122</u>	<u>119</u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2002 is based on the consolidated profit attributable to shareholders of approximately HK\$4,203,000 (2001 — HK\$5,079,000) and on the weighted average number of approximately 320,000,000 shares (2001 — 240,000,000 shares) deemed to be in issue throughout the year, on the assumption that the Group Reorganisation as described in Note 1 had been completed on 1 January 2001.

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

	Three months ended	
	31 March	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		<i>(Note 1)</i>
Earnings for the purposes of basic and diluted earnings per share	4,203	5,079
Weighted average number of ordinary shares for the purposes of basic earnings per share	320,000,000	240,000,000
Effect of dilutive potential ordinary shares:		
Options	8,585,366	—
	<u>328,585,366</u>	<u>240,000,000</u>

Note: The average of share prices at the close of transaction days from 4 January 2002, the listing date of the Company, to the end of March 2002 is adopted for the calculation of dilutive effect of share options.

BUSINESS REVIEW

Segmental Information

The Group is principally engaged in the design, development, manufacture and sale of connectivity products mainly for computers and computer peripheral products. The majority of the Group's products are sold to OEMs and retail distributors. These businesses to OEMs and retail distributors are the basis on which the Group reports its primary segment information.

Business segments

	3 months ended 31 March 2002			3 months ended 31 March 2001		
	Retail			Retail		
	OEMs	Distributors	Total	OEMs	Distributors	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note 1)	(Note 1)	(Note 1)
Segment revenue	<u>25,292</u>	<u>12,045</u>	<u>37,337</u>	<u>21,101</u>	<u>12,818</u>	<u>33,919</u>
Segment results	<u>7,090</u>	<u>2,603</u>	<u>9,693</u>	<u>2,942</u>	<u>3,883</u>	<u>6,825</u>
Unallocated income and expenses			<u>(5,322)</u>			<u>(1,521)</u>
Profit from operations			<u>4,371</u>			<u>5,304</u>
Finance cost			<u>(1)</u>			<u>—</u>
Profit before taxation			<u>4,370</u>			<u>5,304</u>
Taxation			<u>(167)</u>			<u>(225)</u>
Net profit for the period			<u>4,203</u>			<u>5,079</u>

Geographical segment

The following table provides an analysis of the Group's revenue by geographical market.

	Revenue			
	3 months ended 31 March 2002 (Unaudited) HK\$'000		3 months ended 31 March 2001 (Unaudited) HK\$'000	
	%	%	(Note 1)	
Taiwan	16,762	44.9%	11,300	33.3%
Japan	7,253	19.4%	10,654	31.4%
United States of America	8,404	22.5%	6,918	20.4%
Korea	3,756	10.1%	3,953	11.7%
Others	1,162	3.1%	1,094	3.2%
	<u>37,337</u>	<u>100.0%</u>	<u>33,919</u>	<u>100.0%</u>

Product segment

The following table provides an analysis of the Group's revenue by product categories.

	Revenue			
	3 months ended 31 March 2002 (Unaudited) HK\$'000		3 months ended 31 March 2001 (Unaudited) HK\$'000	
	%	%	(Note 1)	
Monitor cables	16,086	43.1%	11,311	33.4%
Conventional I/O cables	12,004	32.1%	14,727	43.4%
Multi-function/high speed transmission connectivity products	9,247	24.8%	7,881	23.2%
	<u>37,337</u>	<u>100.0%</u>	<u>33,919</u>	<u>100.0%</u>

During the period under review, turnover was HK\$37,337,000, representing a growth of 10.1% as compared to HK\$33,919,000 in the previous corresponding period. Net profit for the period was HK\$4,203,000 (2001: HK\$5,079,000). Earnings per share was HK1.31 cents (2001: HK2.12 cents).

The growth in turnover was attributable to the marketing effort of the newly established Taiwan branch ("Taiwan Branch") which provided marketing, material procurement and research and development services to the Group. Sales to OEMs was HK\$25,292,000, increased by 19.9% as compared to previous corresponding period. However sales to retail distributors was HK\$12,045,000, dropped by 6.0% as compared to first quarter of last year. This was mainly caused by the Group's tightening its credit controls to a Japan retail distributor.

The gross profit was HK\$9,693,000, grew by 42.0% as compared to previous corresponding period. The growth was attributable to the Group's launching of higher profit margin products. Gross profit margin contributed by OEMs was satisfactory, reporting a growth from HK\$2,942,000 of previous corresponding period to HK\$7,090,000 of the discussing period. However, the gross profit margin contributed by retail distributors dropped to HK\$2,603,000 from HK\$3,883,000 of previous corresponding period.

Sales to Korea was HK\$3,756,000, slightly dropped by 5.0% as compared to previous corresponding period. However, sales to Taiwan and United States of America were encouraging, reporting a growth of 48.3% and 21.5% respectively as compared to first quarter of 2001. Sales to Japan dropped by 31.9%. These changes reflected the Group's strategy of focusing its resources to the high-valued customers.

Net profit was HK\$4,203,000 as compared to HK\$5,079,000 of previous corresponding period. The decrease was mainly due to the increase in administrative expenses. In order to rationalise the Group structure and strengthen its marketing, material procurement and research and development capabilities, the Group established Taiwan Branch in the second half of last year. The administrative expenses of Taiwan Branch in the first quarter of 2002 was HK\$1,663,000 (2001: nil). In August 2001, the executive directors entered service contracts with the Group. The directors' remuneration of the Group for the first quarter of 2002 was HK\$1,043,000 (2001: HK\$162,000).

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group was strong. After settling all listing expenses, the Group had cash in hand of over HK\$43 million as of 31 March 2002. The Group had no interest bearing debt during the first quarters of both 2001 and 2002.

OUTLOOK

The directors are optimistic to the prospect of the Group. In the view that the enterprises strongly incline to increase their operational efficiencies by upgrading their computer and communication equipments, the demand for the computer and communication products will increase. The directors estimated that the global computer and communication market would be grown steadily in 2002.

The Group will fully utilise the capabilities of the new Taiwan Branch as well as its connection networks in the People's Republic of China, Taiwan and Hong Kong to generate new business opportunities and attain a better operational result.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the interests of the Directors and their respective associates in the share capital of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock were as follows:

i. Shares of the Company

Name of Director	Number of Shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Pang Kuo-Shi ("Mr. Pang")	—	139,808,000 (note)	—	—	139,808,000
Mr. Wong Chun ("Mr. Wong")	58,272,000	—	—	—	58,272,000
Mr. Hsia Chieh-Wen ("Mr. Hsia")	34,944,000	—	—	—	34,944,000

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. Mr. Pang's wife is the discretionary object of the Pang's Family Trust.

ii. Share options

Name of Director	Number of share options	Date of grant	Exercise price per share (HK\$)	Expiration date
Mr. Pang	8,000,000	13 December 2001	0.30	12 December 2006
Mr. Wong	6,000,000	13 December 2001	0.30	12 December 2006
Mr. Hsia	3,000,000	13 December 2001	0.30	12 December 2006
Mr. Wong Ngok Chung	3,000,000	13 December 2001	0.30	12 December 2006

No share option was exercised by the directors to subscribe for a share in the Company during the period.

Save as disclosed above, as at 31 March 2002, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

SHARE OPTIONS SCHEME

On 13 December 2001, the Directors approved Post-IPO Share Option Scheme and Pre-IPO Share Option Scheme (the "Schemes"). The summary of the terms of the Schemes has been set out in Appendix IV of the Prospectus dated 18 December 2001 under the section headed "Share Option Schemes". On 13 December 2001, the Directors granted options to subscribe for an aggregate of 32,000,000 ordinary shares of the Company and were outstanding. Details of the options granted are as follows:

Categories of grantees	Total number of grantees	Number of options granted on 13 December 2001	Exercised/ lapsed during the period	Number of options outstanding at 31 March 2002	Exercise price HK\$	Exercisable period
Executive Directors	20,000,000	20,000,000	—	20,000,000	0.30	30% in 13.12.2002 — 12.12.2006 30% in 13.12.2003 — 12.12.2006 40% in 13.12.2004 — 12.12.2006
Employees	12,000,000	12,000,000	—	12,000,000	0.30	30% in 13.12.2002 — 12.12.2006 30% in 13.12.2003 — 12.12.2006 40% in 13.12.2004 — 12.12.2006
Total	<u>32,000,000</u>	<u>32,000,000</u>	<u>—</u>	<u>32,000,000</u>		

No share options was exercised by the Directors/other employees to subscribe for a share in the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Modern Wealth Assets Limited	139,808,000 shares	43.69%
Mr. Wong Chun	58,272,000 shares	18.21%
Mr. Hsia Chieh-Wen	34,944,000 shares	10.92%

Note —

Save as disclosed above, the Company had no notice of any interests to be disclosed under Section 16(1) of the SDI Ordinance as at 31 March 2002.

SPONSOR'S INTEREST

As at 31 March 2002, neither Kingston Corporate Finance Limited (the "Sponsor"), or its directors, employees or associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 13 December 2001. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures. The audit committee comprises two members, Mr. Lau Ho Kit, Ivan and Dr. Hon. Lui Ming Wah, JP, who are independent non-executive directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's shares were listed on the GEM on 4 January 2002. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 31 March 2002.

On behalf of the Board

Pang Kuo-Shi, Steve

Chairman

Hong Kong Special Administrative Region of the People's Republic of China

14 May 2002