



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)



THIRD QUARTERLY REPORT **2002**

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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.

The Board of Directors of Glory Mark Hi-Tech (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS — UNAUDITED
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2002

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	3	34,812	26,468	103,945	85,403
Cost of sales		(25,427)	(19,622)	(76,588)	(63,855)
Gross profit		9,385	6,846	27,357	21,548
Other revenue		238	629	1,194	1,290
Selling and distribution expenses		(1,086)	(417)	(3,121)	(1,765)
Administrative expenses		(5,120)	(3,139)	(14,775)	(6,402)
Profit from operations	5	3,417	3,919	10,655	14,671
Finance costs		—	(1)	(1)	(1)
Profit before taxation		3,417	3,918	10,654	14,670
Taxation	6	(193)	(184)	(598)	(584)
Profit for the period		<u>3,224</u>	<u>3,734</u>	<u>10,056</u>	<u>14,086</u>
Dividend paid	7	<u>—</u>	<u>—</u>	<u>2,560</u>	<u>—</u>
Earnings per share	8				
Basic		<u>HK1.01 cents</u>	HK1.56 cents	<u>HK3.14 cents</u>	HK5.87 cents
Diluted		<u>N/A</u>	N/A	<u>HK3.13 cents</u>	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 Company 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 and nine months ended 30 September 2001 (the previous corresponding periods) have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA").

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

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with Statement of Standard Accounting Practice No. 25 (SSAP 25) "Interim Financial Reporting" issued by the HKSA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised or new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 34	Employee benefits

Except for the above, the adoption of the new/revised SSAPs has had no material impact on the Group's condensed financial statements.

3. 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.

4. SEGMENT INFORMATION

The Group is principally engaged in the design, development, manufacture and sale of connectivity products mainly for computers and peripheral products. The majority of the Group's products are sold to original equipment manufacturer ("OEM") customers and retail distributors. These businesses to OEM customers and retail distributors are the basis on which the Group reports its primary segment information.

Business segments

	Three months ended				Nine months ended			
	30 September		30 September		30 September		30 September	
	2002	2001			2002	2001		
	HK\$'000	HK\$'000	%	%	HK\$'000	HK\$'000	%	%
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
OEM customers	25,853	74.3%	20,588	77.8%	75,035	72.2%	60,329	70.6%
Retail distributors	8,959	25.7%	5,880	22.2%	28,910	27.8%	25,074	29.4%
	34,812	100.0%	26,468	100.0%	103,945	100.0%	85,403	100.0%

Geographical segments

Sales analysis by geographical customer market:

	Three months ended				Nine months ended			
	30 September		30 September		30 September		30 September	
	2002	2001			2002	2001		
	HK\$'000	HK\$'000	%	%	HK\$'000	HK\$'000	%	%
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
Taiwan	14,982	43.0%	14,577	55.1%	44,203	42.5%	35,232	41.2%
USA	7,495	21.5%	5,026	19.0%	25,008	24.1%	20,564	24.1%
Japan	5,817	16.7%	3,514	13.3%	18,869	18.1%	17,744	20.8%
Korea	4,822	13.9%	2,908	11.0%	11,838	11.4%	9,502	11.1%
Others	1,696	4.9%	443	1.6%	4,027	3.9%	2,361	2.8%
	34,812	100.0%	26,468	100.0%	103,945	100.0%	85,403	100.0%

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	847	605	2,117	1,629

6. 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.

7. DIVIDEND PAID

The directors do not recommend the payment of the dividend for the three months and nine months ended 30 September 2002 (three months and nine months ended 30 September 2001: nil). The dividend represents the final dividend of HK 0.8 cents per share proposed by the directors for the year ended 31 December 2001 and paid during the period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2002 is based on the consolidated profit attributable to shareholders of approximately HK\$3,224,000 and HK\$10,056,000 respectively (three months and nine months ended 30 September 2001 - HK\$3,734,000 and HK\$14,086,000 respectively) and on the weighted average number of approximately 320,000,000 shares (2001 — 240,000,000 shares) 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		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share	3,224	3,734	10,056	14,086
Weighted average number of ordinary shares for the purposes of basic earnings per share	320,000,000	240,000,000	320,000,000	240,000,000
Effect of dilutive potential ordinary shares:				
Options (Note)	—	—	1,131,833	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	320,000,000	240,000,000	321,131,833	240,000,000

Note: No diluted earnings per share for the three months ended 30 September 2002 has been presented because the exercise price of the Company's options was higher than the average of the closed market prices for Shares for this period.

RESERVES

Other than the net profit for the three months and nine months ended 30 September 2002, there has been no transfer to or from reserves during the reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover and profit

During the nine months ended 30 September 2002 (the "discussing period"), turnover was HK\$103,945,000, representing a growth of 21.7% as compared to HK\$85,403,000 in the previous corresponding period. Net profit for the period was approximately HK\$10,056,000 (2001: HK\$14,086,000). Basic earnings per share was HK3.14 cents (2001: HK5.87 cents).

The growth in turnover was mainly attributable to the marketing effort of the Taiwan branch ("Taiwan Branch"). Sales to original equipment manufacturer ("OEM") customers was HK\$75,035,000, increased by 24.4% as compared to previous corresponding period. This was mainly attributable to the Group's effort in consolidating its relationship with one of the major Taiwan OEM customers. Sales to retail distributors recorded an increase of 15.3%, from HK\$25,074,000 of the previous corresponding period to HK\$28,910,000 of the discussing period.

Compared to previous corresponding period, sales to all classified regions for the nine months ended 30 September 2002 increased. Sales to Taiwan, USA and Korea are increased by 25.5%, 21.6% and 24.6% respectively whereas sales to Japan has a mild increase of 6.3% when compared to previous corresponding period.

The gross profit was HK\$27,357,000, grew by 27.0% as compared to previous corresponding period. The growth was attributable to the Group's launching of higher profit margin products.

Net profit was HK\$10,056,000 as compared to HK\$14,086,000 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 2001. The administrative expenses of Taiwan Branch in the discussing period were approximately HK\$5,223,000 (2001: 376,000). In August 2001, the executive directors entered service contracts with the Group. The directors' remuneration of the Group for the nine months ended 30 September 2002 was approximately HK\$3,295,000 (2001: HK\$773,000).

PERIOD IN REVIEW

Liquidity and financial resources

The financial position of the Group was strong. The Group has cash in hand of about HK\$39 million as of 30 September 2002. The Group had no interest bearing debt for the nine months periods ended 30 September 2001 and 30 September 2002 respectively.

OUTLOOK

At the end of the discussing period, the Group invested in a Hong Kong subsidiary ("Joint Venture") of a leading PRC electronics components manufacturer and held 30% of the equity interests of the Joint Venture. The PRC electronics components manufacturer is principally engaged in manufacture and sale of precision electronics components. The Joint Venture is principally engaged in trading of the electronics components manufactured by the PRC manufacturer in Hong Kong and overseas markets. The directors believe that this synergy investment will beneficial to the developing electronics business of the Group by establishing a reliable and cost-competitive electronics components supply.

During the discussing period, a subsidiary of the Group entered agency agreements with a leading computer and communication development and manufacturing company in Taiwan, under which the Group acts as an agent to promote certain products of the Taiwan company in some designated markets in the PRC. As the products concerned will consume multi-functional/high speed transmission connectivity products of the Group, the success in the PRC agency activities will help to develop the core business of the Group. If everything is smooth, the directors anticipate that the Group will generate commission income at the beginning of 2003.

Looking ahead, the Group will utilise its strong connection networks especially in the Mainland China, Taiwan and Hong Kong to explore new business opportunities. The Group will also utilise the capabilities of Taiwan Branch to achieve a better operating result.

Summarising all these, the directors are optimistic to the prospect of the Group.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the Directors and their 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 Exchange 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, the Pang's Family 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 shares in the Company during the period.

Save as disclosed above, as at 30 September 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	Number of options outstanding at	Exercise price per share <i>HK\$</i>	Exercisable period
		13 December 2001	30 September 2002		
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>32,000,000</u>		

No share options were granted or exercised by the Directors/other employees to subscribe for shares in the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 of 10% or more in the issued share capital of the Company:

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

Save as disclosed above, the Company had no notice of any other interests to be disclosed under Section 16(1) of the SDI Ordinance as at 30 September 2002.

SPONSOR'S INTERESTS

As at 30 September 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.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 2002 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the GEM.

INTERESTS IN COMPETITORS

During the nine months ended 30 September 2002, none of the directors or the management shareholders or their respective associates of the Company had an interest in a business which competes or may compete with the business 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 30 September 2002.

On behalf of the Board

Pang Kuo-Shi, Steve

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
13 November 2002