



# GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2003

*The Glory Mark of  
Technology Power*



## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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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 (the "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 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENTS – UNAUDITED

For the three months and nine months ended 30 September 2003

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	3	<b>48,461</b>	34,812	<b>135,799</b>	103,945
Cost of sales		<b>(37,133)</b>	(25,427)	<b>(102,170)</b>	(76,588)
Gross profit		<b>11,328</b>	9,385	<b>33,629</b>	27,357
Other operating income		<b>1,288</b>	238	<b>6,168</b>	1,194
Selling and distribution expenses		<b>(1,996)</b>	(1,086)	<b>(5,064)</b>	(3,121)
Administrative expenses		<b>(6,242)</b>	(5,120)	<b>(17,619)</b>	(14,775)
Profit from operations	5	<b>4,378</b>	3,417	<b>17,114</b>	10,655
Finance costs		–	–	–	(1)
Share of result of an associate		–	–	<b>(72)</b>	–
Profit before taxation		<b>4,378</b>	3,417	<b>17,042</b>	10,654
Taxation	6	<b>(439)</b>	(193)	<b>(1,141)</b>	(598)
Profit for the period		<b>3,939</b>	3,224	<b>15,901</b>	10,056
Dividends paid	7	<b>1,920</b>	–	<b>6,080</b>	2,560
Earnings per share	8				
Basic		<b>HK1.23 cents</b>	HK1.01 cents	<b>HK4.97 cents</b>	HK3.14 cents
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	HK3.13 cents

Notes:

## **1. General 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.

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("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 audited financial statements for the year ended 31 December 2002, except as described below.

In the current period, the Group has adopted SSAP No.12 (Revised) "Income taxes" issued by the HKSA. The principal effect of the implementation of SSAP No.12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP No.12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## **3. Turnover**

Turnover represents the amounts received and receivable, net of discounts and returns, from the sale of connectivity products mainly for computers and computer 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 computer 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 30 September 2003				Nine months ended 30 September 2003			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
OEM customers	<b>35,843</b>	<b>74.0%</b>	25,853	74.3%	<b>96,231</b>	<b>70.9%</b>	75,035	72.2%
Retail distributors	<b>12,618</b>	<b>26.0%</b>	8,959	25.7%	<b>39,568</b>	<b>29.1%</b>	28,910	27.8%
	<b>48,461</b>	<b>100.0%</b>	34,812	100.0%	<b>135,799</b>	<b>100.0%</b>	103,945	100.0%

##### Geographical segments

Sales analysis by geographical customer market: –

	Three months ended 30 September 2003				Nine months ended 30 September 2003			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Taiwan	<b>22,923</b>	<b>47.3%</b>	14,982	43.0%	<b>63,597</b>	<b>46.8%</b>	44,203	42.5%
USA	<b>4,812</b>	<b>9.9%</b>	7,495	21.5%	<b>18,951</b>	<b>14.0%</b>	25,008	24.1%
Japan	<b>8,637</b>	<b>17.8%</b>	5,817	16.7%	<b>26,103</b>	<b>19.2%</b>	18,869	18.1%
Korea	<b>7,674</b>	<b>15.9%</b>	4,822	13.9%	<b>14,599</b>	<b>10.8%</b>	11,838	11.4%
Others	<b>4,415</b>	<b>9.1%</b>	1,696	4.9%	<b>12,549</b>	<b>9.2%</b>	4,027	3.9%
	<b>48,461</b>	<b>100.0%</b>	34,812	100.0%	<b>135,799</b>	<b>100.0%</b>	103,945	100.0%

## 5. Profit from Operations

Profit from operations has been arrived at after charging:—

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Depreciation and amortisation	<b>957</b>	847	<b>2,545</b>	2,117

## 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 unaudited condensed financial statements, as the Group has no assessable profit arising in Hong Kong for the period.

No provision for deferred taxation has been made in the unaudited condensed financial statements, as there were no material timing differences arising during the three months and nine months periods.

## 7. Dividends Paid

The Directors do not recommend the payment of an interim dividend for the three months ended 30 September 2003 (three months ended 30 September 2002: nil).

The dividends paid represented the final dividend of HK1.3 cents (2001: HK0.8 cents) per share proposed by the Directors for the year ended 31 December 2002 and the interim dividend of HK0.6 cents (2002: nil) per share declared by the Directors for the six months ended 30 June 2003 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 2003 is based on the consolidated profit attributable to shareholders of approximately HK\$3,939,000 and HK\$15,901,000 respectively (three months and nine months ended 30 September 2002: HK\$3,224,000 and HK\$10,056,000 respectively) and on the weighted average number of approximately 320,000,000 shares (2002: 320,000,000 shares).

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

	Three months ended 30 September 2003		Nine months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>3,939</b>	3,224	<b>15,901</b>	10,056
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>320,000,000</b>	320,000,000	<b>320,000,000</b>	320,000,000
Effect of dilutive potential ordinary shares: Options	—	—	—	1,131,833
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>320,000,000</b>	320,000,000	<b>320,000,000</b>	321,131,833

Note: No diluted earnings per share for the three months and nine months ended 30 September 2003 has been presented because the exercise price of the Company's options was higher than the average of the closed market prices for the shares of the Company for these periods.

## 9. Advances to an Entity

As at 30 September 2003, the following trade receivables due from certain customers to a subsidiary of the Company (the "Subsidiary") is required to be disclosed under the disclosure obligations under Chapter 17 of the GEM Listing Rules:

<b>Name of customer</b>	<b>Balance of trade receivables as at 30 September 2003 HK\$'000</b>
Liteon Computer Tech (D.W.) Co., Ltd.	<b>3,119</b>
Titanic Capital Services., Ltd.	<b>18,066</b>
	<b><u>21,185</u></b>

The value of the Company's net tangible assets as at 31 December 2002, adjusted by the amount of profit attributable to shareholders for the nine months ended 30 September 2003 and dividends declared since 31 December 2002 (the "Net Tangible Assets"), was approximately HK\$78,611,000. The above aggregate sum of HK\$21,185,000 represents approximately 26.9% of the Net Tangible Assets.

Notes:

1. The above trade receivables were resulted from sales to the above customers by the Subsidiary in its ordinary course of business and on normal commercial terms. These two customers are subsidiaries of Lite-On Technology Corporation (collectively, the "Lite-On Group"), which is a Taiwanese computer, communication and consumer products manufacturer. Lite-On Group is an independent third party, not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or their respective associates (as such term is defined under GEM Listing Rules).
2. The above trade receivables are unsecured and are in accordance with terms specified in the contracts governing the relevant transactions (such as delivery periods and payment periods (the above trade receivables are to be settled on the corresponding maturity dates according to the relevant credit period and are expected to be fully settled on or before 31 March 2004), rights and obligations of the above customers in respect of their performance under the contracts). No collateral is required to be made by the above customers and no interest is charged on any of the trade receivables. The credit periods of the trade receivables of the Group range from 30 days to 180 days after monthly statement, depending on the relevant credit status of each credit customer and the commercial decisions made by the directors.

Save as disclosed above, as at 30 September 2003, there was no other advance (including trade receivables and other receivables) which would give rise to disclosure obligation pursuant to Rules 17.15, 17.16 and/or 17.17 and 17.22 of GEM Listing Rules.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Period in Review**

#### ***Turnover and profit***

During the nine months ended 30 September 2003 (the "discussing period"), the turnover of the Group was HK\$135,799,000, up 30.6% as compared to the previous corresponding period. Net profit for the discussing period was approximately HK\$15,901,000, up 58.1% as compared to the previous corresponding period of HK\$10,056,000. Basic earnings per share was HK4.97 cents (2002: HK3.14 cents).

Sales to OEM customers and retail distributors were HK\$96,231,000 and HK\$39,568,000 respectively, up 28.2% and 36.9% respectively as compared to the previous corresponding period. This was mainly attributable to the Group's successfully marketing effort of reinforcing the commercial partnerships with two major Taiwanese OEM manufacturers and the solicitation of several new Japanese retail distributors.

In terms of geographical segments, the turnover to Taiwan, Japan, Korea and other regions increased satisfactorily by 43.9%, 38.3%, 23.3% and 211.6% respectively as compared to the previous corresponding period. The increase in turnover was mainly attributable to the successfully marketing and quality management strategies of the Group and the marketing effort made by the Taiwan branch. The sharp increase in turnover to other regions was mainly attributable to the increasing orders from SONY (Malaysia). Turnover to the United States of America dropped by 24.2%.

Net profit was HK\$15,901,000, up by HK\$5,845,000 or 58.1% as compared with the previous corresponding period. This satisfactory result was mainly attributable to the increase in turnover and the commission income earned during the discussing period.

#### ***Liquidity and financial resources***

The Group has a healthy financial position with total bank balances and cash of approximately HK\$52 million as of 30 September 2003. The Group had no interest bearing debt for the nine months periods ended 30 September 2002 and 2003 respectively.

## Outlook

During the discussing period, the signs of recovery of global economy benefited the Group. The increasing in demand for digital transmissions and the ongoing integration of mobile communication products with computers and digital home appliances helped to boom the turnover of the Group.

The directors anticipated that the recovery of the global economy and the steadily growth of the computer industry would continue and would generate new business opportunities to the Group. To enhance the benefits from these opportunities, the Group would prioritise its resources on the new production factory development project as well as conducting a series of reengineering processes and vertical integrations to streamline its workflow and improve its production efficiencies.

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 30 September 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealings by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Name of company	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Pang Kuo-Shi ("Mr. Pang")	The Company	Family interest	139,808,000 (Note 1)	43.7%
Mr. Wong Chun ("Mr. Wong")	The Company	Personal interest	58,272,000	18.2%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	The Company	Personal interest	34,944,000	10.9%

Note:

- (1) 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.

Save as disclosed above and the interests of certain directors of the Company in the shares options of the Company as disclosed in the section headed "SHARE OPTION SCHEMES" below, as at 30 September 2003, none of the directors or chief

executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEMES

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 30 September 2003	Exercise price HK\$	Exercisable period
Directors:						
Mr. Pang	8,000,000	8,000,000	–	8,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Wong	6,000,000	6,000,000	–	6,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Hsia	3,000,000	3,000,000	–	3,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Wong Ngok Chung	3,000,000	3,000,000	–	3,000,000	0.3	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	0.3	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**

So far as is known to any directors or chief executive of the Company, as at 30 September 2003, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group were as follows:

<b>Name of shareholders</b>	<b>Name of company</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Modern Wealth Assets Limited	The Company	Family interest	139,808,000 <i>(Note)</i>	43.7%
Mr. Wong Chun	The Company	Personal interest	58,272,000	18.2%
Mr. Hsia Chieh-Wen	The Company	Personal interest	34,944,000	10.9%

*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.

Save as disclosed above, as at 30 September 2003, the directors or chief executive of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

## **SPONSOR'S INTERESTS**

As at 30 September 2003, 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 2003 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 2003, 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 September 2003.

On behalf of the Board

**Pang Kuo-Shi**

*Chairman*

Hong Kong Special Administrative Region of the People's Republic of China  
12 November 2003