



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2004



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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.

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INTERIM RESULTS

The Board of Directors (the “Directors”) of Glory Mark Hi-Tech (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months (the “Second Quarterly Period”) and six months (the “Half-Yearly Period”) ended 30 June 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended 30 June 2004

	Notes	Three months ended 30 June		Six months ended 30 June	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	3	62,297	43,869	118,665	87,338
Cost of sales		(52,846)	(32,919)	(97,769)	(65,037)
Gross profit		9,451	10,950	20,896	22,301
Other operating income		1,524	2,718	1,988	4,880
Selling and distribution expenses		(1,986)	(1,802)	(3,907)	(3,068)
Administrative expenses		(6,166)	(5,544)	(11,644)	(11,377)
Profit from operations	5	2,823	6,322	7,333	12,736
Share of result of an associate		47	(84)	47	(72)
Profit before taxation		2,870	6,238	7,380	12,664
Taxation	6	(458)	(439)	(950)	(702)
Profit for the period		2,412	5,799	6,430	11,962
Dividend	7	—	1,920	—	1,920
Earnings per share	8				
Basic		HK0.75 cents	HK1.81 cents	HK2.01 cents	HK3.74 cents
Diluted		N/A	N/A	N/A	N/A

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

		30 June 2004	31 December 2003
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	21,973	19,828
Investment properties	9	780	780
Interest in an associate		1,317	1,270
		<u>24,070</u>	<u>21,878</u>
CURRENT ASSETS			
Inventories		21,444	12,423
Trade and other receivables	10	82,513	59,799
Bank balances and cash		45,129	55,907
		<u>149,086</u>	<u>128,129</u>
CURRENT LIABILITIES			
Trade and other payables	11	81,600	59,412
Amount due to a related company		—	13
Amounts due to directors		—	1,593
Taxation payable		6,007	5,057
		<u>87,607</u>	<u>66,075</u>
NET CURRENT ASSETS			
		<u>61,479</u>	<u>62,054</u>
		<u>85,549</u>	<u>83,932</u>
CAPITAL AND RESERVES			
Share capital		32,000	32,000
Reserves		53,549	51,932
		<u>85,549</u>	<u>83,932</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share Capital	Merger Reserve	Translation Reserve	Accumulated Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2003	32,000	680	(13)	36,123	68,790
Exchange gain on translation of overseas operations not recognised in the income statement	—	—	1	—	1
Profit for the period	—	—	—	11,962	11,962
Final dividend for 2002	—	—	—	(4,160)	(4,160)
	<u>32,000</u>	<u>680</u>	<u>(12)</u>	<u>43,925</u>	<u>76,593</u>
At 30 June 2003	<u>32,000</u>	<u>680</u>	<u>(12)</u>	<u>43,925</u>	<u>76,593</u>
At 1 January 2004	32,000	680	(27)	51,279	83,932
Exchange loss on translation of overseas operations not recognised in the income statement	—	—	(13)	—	(13)
Profit for the period	—	—	—	6,430	6,430
Final dividend for 2003	—	—	—	(4,800)	(4,800)
	<u>32,000</u>	<u>680</u>	<u>(40)</u>	<u>52,909</u>	<u>85,549</u>
At 30 June 2004	<u>32,000</u>	<u>680</u>	<u>(40)</u>	<u>52,909</u>	<u>85,549</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(308)	9,888
NET CASH USED IN INVESTING ACTIVITIES	(4,064)	(1,423)
NET CASH USED IN FINANCING ACTIVITIES	<u>(6,393)</u>	<u>(4,498)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,765)	3,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	55,907	43,172
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	<u>(13)</u>	<u>(28)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>45,129</u>	<u>47,111</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>45,129</u>	<u>47,111</u>

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Notes:

1. GENERAL AND BASIS OF PRESENTATION

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 Company acts as an investment holding company.

The condensed consolidated 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 Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Statement of Standard Accounting Practice No.25 (“SSAP 25”) “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2003.

3. TURNOVER

Turnover represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly for computers and computer peripheral products, and subcontracting service rendered during the period.

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4. SEGMENT INFORMATION

The Group is principally engaged in the design, development, manufacture and sales 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		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
OEM customers	42,346	30,580	81,556	60,388
Retail distributors	19,951	13,289	37,109	26,950
	<u>62,297</u>	<u>43,869</u>	<u>118,665</u>	<u>87,338</u>
Results				
OEM customers	5,238	7,720	12,464	15,617
Retail distributors	4,213	3,230	8,432	6,684
	<u>9,451</u>	<u>10,950</u>	<u>20,896</u>	<u>22,301</u>
Unallocated income	1,524	2,718	1,988	4,880
Unallocated expenses	(8,152)	(7,346)	(15,551)	(14,445)
Profit from operations	<u>2,823</u>	<u>6,322</u>	<u>7,333</u>	<u>12,736</u>

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Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2004		2003		2004		2003	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Taiwan	30,859	49.5%	17,551	40.0%	57,607	48.5%	40,674	46.6%
Japan	13,080	21.0%	9,384	21.4%	25,185	21.2%	17,466	20.0%
United States								
of America	6,259	10.1%	6,901	15.7%	12,195	10.3%	14,139	16.2%
Korea	7,091	11.4%	5,305	12.1%	12,091	10.2%	6,925	7.9%
Others	5,008	8.0%	4,728	10.8%	11,587	9.8%	8,134	9.3%
	62,297	100.0%	43,869	100.0%	118,665	100.0%	87,338	100.0%

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	963	828	1,911	1,588
Loss on disposal of property, plant and equipment	8	—	8	—

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6. TAXATION

The amount represents enterprise income tax in the People's Republic of China calculated at the rates prevailing.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements, as the Group has no assessable profit arising in Hong Kong in both periods.

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

7. DIVIDEND

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interim dividend	—	1,920	—	1,920

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2004 (2003: HK0.6 cents per share).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2004 is based on the consolidated profit attributable to shareholders of approximately HK\$2,412,000 and HK\$6,430,000 respectively (three months and six months ended 30 June 2003: HK\$5,799,000 and HK\$11,962,000 respectively) and on 320,000,000 shares (2003: 320,000,000 shares) in issue.

No dilutive earnings per share has been presented for the Second Quarterly Period and Half-Yearly Period because the exercise price of the Company's share options was higher than the average market price for shares in both periods.

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9. PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK\$4,082,000.

The investment properties were valued at HK\$780,000 on 30 September 2001 by DTZ Debenham Tie Leung Limited, an independent registered professional surveyor, on an open market existing use basis. The Directors consider that the open market value at 30 June 2004 was not significantly different from that at 30 September 2001.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at 30 June 2004 and 31 December 2003:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Trade receivables		
Within 30 days	19,208	14,526
Between 31 days and 120 days	37,158	31,756
Between 121 days and 180 days	12,935	10,284
More than 180 days	939	865
	70,240	57,431
Other receivables	12,273	2,368
	82,513	59,799

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11. TRADE AND OTHER PAYABLES

The Group has an average credit period ranging from 30 days to 150 days from its trade suppliers.

The following is an aged analysis of trade payables at 30 June 2004 and 31 December 2003:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Trade payables		
Within 30 days	13,144	11,336
Between 31 days and 90 days	38,778	25,247
Between 91 days and 150 days	12,964	11,294
More than 150 days	<u>2,067</u>	<u>1,480</u>
	66,953	49,357
Other payables	<u>14,647</u>	<u>10,055</u>
	<u>81,600</u>	<u>59,412</u>

12. CAPITAL COMMITMENTS

At 30 June 2004, the Group had commitments for capital expenditure of approximately HK\$3,640,000 (31 December 2003: HK\$6,645,000) in respect of acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements.

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13. ADVANCES TO AN ENTITY

At 30 June 2004, the following trade receivables, which, in aggregate, exceed 8% of the total assets of the Group at 31 December 2003, are disclosed pursuant to the disclosure requirements under the rules 17.15, 17.17 and 17.22 of the GEM Listing Rules:

Name of customer	Balance of trade	% to the total
	receivables at 30 June 2004	assets value at 31 December 2003
	HK\$'000	
Liteon Computer Tech (D.W.) Co., Ltd.	4,498	3.0%
Titanic Capital Services., Ltd.	30,487	20.3%
	<u>34,985</u>	<u>23.3%</u>

Notes:

- The Group's consolidated total assets at 31 December 2003 amounted to approximately HK\$150,007,000.
- The above trade receivables were resulted from sales by a subsidiary of the Company in its ordinary course of business and on normal commercial terms. The above two customers are subsidiaries of Lite-On Technology Corporation (collectively referred to as "Lite-On Group"), which is a computer, communication and consumer products manufacturer in Taiwan. Lite-On Group is not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or their respective associates (as defined under GEM Listing Rules.)
- 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 or before 31 December 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 depending on the relevant credit status of each customer and the commercial decisions made by the directors.

Save as disclosed above, at 30 June 2004, there was no other advance (including trade receivables and other receivables), which would give rise to disclosure obligation pursuant to the rules 17.15, 17.17 and 17.22 of the GEM Listing Rules.

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14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended		Six months ended	
		30 June		30 June	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid (Note b)	63	63	126	174
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Rental paid (Note b)	36	33	70	67
San Chen Company ("San Chen")	Rental paid (Note b)	36	33	70	67
C&C Technic Taiwan Co., Ltd. ("C&C")	Sales of goods (Note a)	—	29	—	69
	Purchases of goods (Note b)	—	141	—	868
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) These transactions were carried out at cost plus a profit mark up.
- (b) These transactions were based on amounts agreed between the parties concerned.

Mr. Steve Pang Kuo-Shi ("Mr. Pang"), Mr. Wong Chun and Mr. Hsia Chieh-Wen, the directors and the shareholders of the Company, together hold 79% interest in GM (Taiwan) and 100% interest in GM Enterprises. Mr. Pang holds 40% interest in San Chen. Mr. Pang's wife held 11.67% interest in C&C and had disposed of all her interest since January 2004.

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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and profit

During the six months ended 30 June 2004 (“the discussing period”), the Group’s turnover increased by 35.9% to HK\$118,665,000 when compared to the corresponding period last year. Suffered from the rise in costs of major materials and the decrease in commission income, the net profit of the Group decreased to HK\$6,430,000.

During the discussing period, sales to OEM customers and retail distributors were HK\$81.6 million and HK\$37.1 million respectively, representing a growth of 35.1% and 37.7% as compared to the last corresponding period.

Compared to the last corresponding period, sales to Taiwan, Japan, Korea and other regions increased by 41.6%, 44.2%, 74.6% and 42.5% respectively. Sales to United States of America dropped by 13.7% as compared to the last corresponding period.

The gross profit margin was 17.6%, dropped significantly by 7.9% as compared to the last corresponding period. It was mainly due to the increase in major material costs. During the discussing period, the global prices of metals and PVC persistently stayed at high levels, which significantly pushed up the costs of the major materials of the Group. Benefited from the Macro Economic Control Measures implemented by the PRC Government and the success in partially reallocating the increased costs to some customers, the position improved in June 2004.

In the last corresponding period, the Group earned a commission income of about HK\$3.9 million by lining up the mobile handset business between a leading Taiwan and a PRC corporation. Subsequent to the outbreak of SARS in the last year, the mobile handset business in the PRC became highly volatile, which greatly compressed the room to develop our agency business. During the discussing period, the commission income of the Group was nominal.

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Liquidity and financial resources

The financial position of the Group was strong. The Group has cash and bank balances of about HK\$45.1 million as of 30 June 2004, most of which were placed as short-term deposits with reputable banks. The group had no interest-bearing debt as at 30 June 2003 and 30 June 2004 respectively.

Operation review

Production capacity and capability

The conveyance procedure of the purchased land in Tangxia Town, Dongguan was completed and the construction work of the new factory premise was started. The new factory of floor area about 20,000 square metres was expected to be completed and commence production in early 2005 and will increase by double the production capacity of the Group.

Employees

At 30 June 2004, the Group had 1,934 (2003: 1,842) employees. Employee remuneration, excluding directors' emoluments, for the period ended 30 June 2004 was approximately HK\$13.8 million (2003: HK\$12.1 million). The increase in employee remuneration during the period was in line with the expansion of the Group.

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 is reviewed annually. The Company had granted options to its employees prior to its listing.

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OUTLOOK

The anticipating global demands in computers and computer peripheral products remains strong in the coming quarters. Under this favourable marketing environment and aided by the effective marketing strategy of the Group, the directors are optimistic as to its turnover in the coming quarter.

The Group is taking some measures to offset the downside effect arising from the increase in material costs. On the other hand, by means of the Macro Economic Control Measures implemented by the PRC Government, the global prices of metals are restoring stability again. These changes are beneficial to the business as well as the profitability of the Group.

Looking ahead, the favourable factors such as the global economy regaining its growth momentum, the increasing in demand for digital transmissions and the ongoing integration of mobile communication products with computers and digital home appliances generate new business opportunities to the Group. To cope with the transformation in computer connectivity technology and to lead in the emerging marketing trend, the Group dedicates its effort to research and develop new products. Recently the Group has completed the development of the connectivity products of High Definition Multimedia Interface (“HDMI”). HDMI will be widely used and dominant in the consumer electronics industry.

To prepare for the booming seasons, the Group is focusing its strength at its new factory construction project and is simultaneously continuing its effort at developing its new electronics business. Meanwhile, emphasis is placed at enhancing the capabilities of product development and outlook design of new electronics products. Simultaneously, the Group continued its expansion plan and installed a new SMT production line. This formed a foundation of strengthening its electronics OEM and ODM production capabilities progressively.

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

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the minimum standards of dealing by directors as referred to the Rules 5.40 to 5.58 of Chapter 5 of the GEM Listing Rules operated by the Stock Exchange were as follows:

(a) *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 1)	139,808,000	43.7%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,272,000	18.2%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.9%
		<u>233,024,000</u>	<u>72.8%</u>

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(b) Share options

Name of director	Capacity	Number of underlying shares to be issued upon exercise of the options
Mr. Pang	Beneficial owner	8,000,000
Mr. Wong	Beneficial owner	6,000,000
	Family (<i>Note 2</i>)	3,050,000
Mr. Hsia	Beneficial owner	3,000,000
Mr. Wong Ngok Chung	Beneficial owner	3,000,000
		23,050,000
		23,050,000

Notes:

- (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, the Pang's Family Trust.
- (2) The 3,050,000 underlying shares subject to the options were granted to Mr. Wong's spouse, who is the employee of the Group.

Other than as disclosed above, none of the directors and the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations at 30 June 2004.

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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 June 2004 and 1 January 2004	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	32,000,000	32,000,000	—	32,000,000		

No share option was exercised by the directors/other employees to subscribe for shares in the Company during the period.

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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 Future Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 30 June 2004.

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.

SPONSOR’S INTERESTS

As at 30 June 2004, neither Kingston Corporate Finance Limited (the “Sponsor”), nor its directors, employees or associates had any interest in the securities of the Company or any member of the Group, nor 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 six months ended 30 June 2004 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules of the Stock Exchange.

INTERIM REPORT 2004

INTERESTS IN COMPETITORS

During the six months ended 30 June 2004, none of the directors or the management shareholders of the Company or their respective associates had an interest in a business, which competes or may compete with the business of the Group.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 14 above:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules of the Stock Exchange; and
- (ii) no contract of significance to which the Company or any of 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 period or at any time during the period.

AUDIT COMMITTEE

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

GLORY MARK HI-TECH

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 June 2004.

On behalf of the Board

Pang Kuo-Shi

Chairman

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

13 August 2004