



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



FIRST QUARTERLY REPORT  
**2005**

## **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.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 ended 31 March 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

*For the three months ended 31 March 2005*

	Notes	Three months ended 31 March	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	3	<b>63,338</b>	56,368
Cost of sales		<b>(52,829)</b>	(44,923)
Gross profit		<b>10,509</b>	11,445
Other income		<b>689</b>	464
Selling and distribution expenses		<b>(2,602)</b>	(1,921)
Administrative expenses		<b>(5,900)</b>	(5,478)
Profit before taxation	5	<b>2,696</b>	4,510
Taxation	7	<b>(678)</b>	(492)
Profit attributable to shareholders		<b>2,018</b>	4,018
Dividend	8	—	—
Earnings per share	9		
Basic		<b>HK0.63 cents</b>	HK1.26 cents
Diluted		<b>N/A</b>	HK1.25 cents

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 accounting principles generally accepted in Hong Kong and complied with accounting standards issued by Hong Kong Institute of Certified Public Accountants.

## 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 2004.

## 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, and subcontracting service rendered 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.

#### 4. Segment Information (Continued)

##### Business segments

	Three months ended 31 March 2005		2004	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	47,762	75.4%	39,210	69.6%
Retail distributors	15,576	24.6%	17,158	30.4%
	<b>63,338</b>	<b>100.0%</b>	56,368	100.0%

##### Geographical segments

Sales analysis by geographical customer market:

	Three months ended 31 March 2005		2004	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Republic Peoples' of China ("ROC")	20,899	33.0%	26,748	47.4%
Korea	17,782	28.1%	5,000	8.9%
Japan	10,762	17.0%	12,105	21.5%
The United States of America (the "USA")	7,782	12.3%	5,936	10.5%
Others	6,113	9.6%	6,579	11.7%
	<b>63,338</b>	<b>100.0%</b>	56,368	100.0%

#### 5. Profit before taxation

Profit before taxation has been arrived at after charging:

	Three months ended 31 March	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Depreciation and amortisation	1,317	948

**6. Reserves**

There were no movements in reserves of the Group during the period under review other than profit attributable to shareholders of approximately HK\$2,018,000 (2004: approximately HK\$4,018,000).

**7. 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 condensed consolidated 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 condensed consolidated financial statements, as there were no material timing differences arising during the period and at the balance sheet date.

**8. Dividend Paid**

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: nil).

**9. Earnings Per Share**

The calculation of basic earnings per share for the three months ended 31 March 2005 is based on the consolidated profit attributable to shareholders of approximately HK\$2,018,000 (three months ended 31 March 2004: HK\$4,018,000) and on the weighted average number of approximately 320,000,000 shares (2004: 320,000,000 shares).

### 9. Earnings Per Share *(Continued)*

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share	<b>2,018</b>	4,018
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>320,000,000</b>	320,000,000
Effect of dilutive potential ordinary shares:		
Options	—	1,649,067
Weighted average number of ordinary shares for the purposes of diluted earnings per share	—	321,649,067

*Note:* No dilutive earnings per share has been presented for the three months ended 31 March 2005 because the exercise price of the Company's share options was higher than the average of the closing market price for shares for the period.

## 10. Related Party Transactions

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

Name of related party	Nature of transactions	Three months ended	
		31 March	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rental paid (Note a)	63	63
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Rental paid (Note a)	37	34
San Chen Company ("San Chen")	Rental paid (Note a)	37	34

Note:

- (a) These transactions were based on amounts agreed between the parties concerned.

Mr. Pang Kuo-Shi, Mr. Wong Chun and Mr. Hsia Chieh-Wen, the directors and the shareholders of the Company, together hold 100% interest in GM Enterprises and 79% interest in GM (Taiwan). Mr. Pang holds 40% interest in San Chen.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Period in Review

#### *Turnover and profit*

The turnover of the Group for the three months ended 31 March 2005 was HK\$63,338,000, which increased by 12.4% as compared to HK\$56,368,000 of the last corresponding period. The negative factors of increase in materials and labour cost continued to have an adverse effect on the Group. The net profit of the Group for the three months ended 31 March 2005 decreased to HK\$2,018,000.

The turnover to OEM customers during the period under review increased by 21.8% as compared to last corresponding period. This was mainly due to the increase in turnover to a major Korea OEM customer. The turnover to retail distributors decreased slightly by 9.2%.

The turnover to Korea during the period under review was encouraging, which recorded an increment of 255.6% as compared to the last corresponding period. This was attributable to the success in gaining considerable orders from a valuable Korea OEM customer during the period under review. The turnover to The USA increased by 31.1% and the turnover to ROC, Japan and other regions decreased moderately by 21.9%, 11.1% and 7.1% respectively.

During the period under review, the persistently high material costs and the increase in labour cost continued. These adverse effects totally offset all the contributions of the growth in turnover. The gross profit dropped by HK\$936,000 during the period under review as compared to the corresponding period.

The increase of selling and distribution expenses by 35.5% during the period under review was mainly due to the increase in sea-freight charges.

#### *Production capacity and capability*

The construction of new factory of floor area about 20,000 square metres located at Tangxia Town will be completed and commence production in second half of 2005. This would double the production capacity of the Group.

### **Liquidity and financial resources**

The financial position of the Group was strong. The Group had cash and bank balances of about HK\$76 million as of 31 March 2005. The Group had no interest bearing debt for the three months ended 31 March 2005 and 2004 respectively.

### **Outlook**

The increase in material and labour costs continued to adversely affect the Group's profit margin. It is anticipated that competition will be keen in 2005. All these factors might affect the results of the Group. The directors have a conservative view to its results in the coming quarters.

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

As at 31 March 2005, 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 Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules of the Stock Exchange were as follows:

#### **(a) Ordinary shares of HK\$0.1 each of the Company**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Issued Ordinary Shares held</b>	<b>Percentage of Issued share capital of the Company</b>
Mr. Pang Kuo-Shi ("Mr. Pang")	Held by family trust ( <i>Note 1</i> )	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,447,000	18.26%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.92%
		<b>233,199,000</b>	<b>72.87%</b>

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### (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

*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, where the trustee of a discretionary trust is the Pang's Family Trust.
- (2) The 3,050,000 underlying shares under the exercise options were granted to Mr. Wong's spouse, who is an 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 31 March 2005.

## 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 all such options were still 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 2005 and 1 January 2005	Exercise price HK\$	Exercisable period
<i>Directors:</i>						
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

**SHARE OPTION SCHEMES** *(Continued)*

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 2005 and 1 January 2005	Exercise price HK\$	Exercisable period
<b>Employees:</b>	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
<b>Total</b>	<b>32,000,000</b>	<b>32,000,000</b>	<b>—</b>	<b>32,000,000</b>		

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

**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 31 March 2005.

**MANAGEMENT SHAREHOLDERS**

So far as the Directors are aware, other than the interest of Mr. Pang, Mr. Wong and Mr. Hsia as disclosed under the heading "Directors' And Chief Executive's Interests In Shares And Underlying Shares", there was no other person during the period who was directly or indirectly interested in 5% or more of the shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

## **INTERESTS IN COMPETITORS**

During the three months ended 31 March 2005, none of the directors nor 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.

## **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 10 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 three members, Mr. Lau Ho Kit, Ivan, Dr. Hon. Lui Ming Wah, JP and Mr. Wong Kwong Chi, 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. The quarterly results presented herein has not been audited but has been reviewed by the audit committee who has provided advice and comments thereon.

**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 31 March 2005.

On behalf of the Board

**Wong Chun**

*Chief Executive Officer*

Hong Kong Special Administrative Region of the People's Republic of China  
13 May 2005

*As at the date of this report, the board 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. Hon. Lui Ming Wah, JP, Mr. Lau Ho Kit, Ivan and Mr. Wong Kwong Chi being Independent Non-Executive Directors.*