



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)



THIRD QUARTERLY REPORT 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS — UNAUDITED

For the three months and nine months ended 30 September 2005

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover	3	70,467	66,933	191,551	185,598
Cost of sales		(55,420)	(53,748)	(155,926)	(151,517)
Gross profit		15,047	13,185	35,625	34,081
Other operating income		1,293	542	3,106	2,530
Selling and distribution expenses		(1,964)	(2,138)	(6,900)	(6,045)
Administrative expenses		(6,998)	(5,371)	(18,721)	(17,015)
Profit from operations	5	7,378	6,218	13,110	13,551
Loss in disposal of an associate		—	(670)	—	(670)
Share of result of an associate		—	—	—	47
Finance cost		(1)	—	(1)	—
Profit before taxation		7,377	5,548	13,109	12,928
Taxation	6	(633)	(431)	(1,829)	(1,381)
Profit for the period		6,744	5,117	11,280	11,547
Dividend	7	—	—	—	—
Earnings per share	8				
Basic		HK2.11 cents	HK1.60 cents	HK3.53 cents	HK3.61 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") 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 the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values. 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, except as described below.

In the current period, the Group has applied a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas and resulted in change in the presentation in the balance sheet, but has had no material effects on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and building are considered separately for the purposes of lease classification. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This has resulted in a change in the presentation in the balance sheet and the comparative amounts have been restated accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment Properties

In the current period, the Group has applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. This change in accounting policy has had no material effect on the financial statements for the current or prior accounting periods.

The Group has not yet applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

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.

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 with OEM customers and retail distributors are the basis on which the Group reports its primary segment information.

Business segments

	Three months ended 30 September				Nine months ended 30 September			
	2005		2004		2005		2004	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	46,065	65.4	45,115	67.4	132,075	69.0	126,671	68.3
Retail distributors	24,402	34.6	21,818	32.6	59,476	31.0	58,927	31.7
	70,467	100.0	66,933	100.0	191,551	100.0	185,598	100.0

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 September				Nine months ended 30 September			
	2005		2004		2005		2004	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Republic of China	22,426	31.8	32,863	49.1	59,020	30.8	90,470	48.8
Korea	14,015	19.9	6,850	10.2	46,918	24.5	18,941	10.2
Japan	19,109	27.1	14,679	21.9	43,756	22.8	39,864	21.5
United States of America	9,681	13.7	8,473	12.7	24,676	12.9	20,668	11.1
Others	5,236	7.5	4,068	6.1	17,181	9.0	15,655	8.4
	70,467	100.0	66,933	100.0	191,551	100.0	185,598	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	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	1,202	1,238	3,554	3,149
Loss on disposal of property, plant and equipment	31	—	31	8

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

The Directors do not recommend the payment of any dividend for the three months ended 30 September 2005 (three months ended 30 September 2004: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2005 is based on the consolidated profit attributable to shareholders of approximately HK\$6,744,000 and HK\$11,280,000 respectively (three months and nine months ended 30 September 2004: HK\$5,117,000 and HK\$11,547,000 respectively) and on the weighted average number of 320,000,000 shares (2004: 320,000,000 shares).

No dilutive earnings per share has been presented for the three months and nine months ended 30 September 2005 because the exercise price of the Company's share options was higher than the average closing market price for shares in both periods.

9. 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 30 September		Nine months ended 30 September	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid (<i>Note a</i>)	63	63	189	189
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Rental paid (<i>Note a</i>)	36	34	110	104
San Chen Company ("San Chen")	Rental paid (<i>Note a</i>)	36	34	110	104
Directors	Remuneration	1,374	1,344	4,160	4,130
Mr. Pang Kuo-Shi ("Mr. Pang")	Disposal of a motor vehicle (<i>Note b</i>)	347	—	347	—

Note: (a) 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.

(b) Disposal of a motor vehicle for approximately HK\$347,000 to Mr. Pang in August 2005, which was valued at open market basis.

10. RESERVES

	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2004	680	(27)	51,279	51,932
Exchange gain on translation of overseas operations not recognised statement	—	74	—	74
Profit for the period	—	—	11,547	11,547
Final dividend for 2003	—	—	(4,800)	(4,800)
At 30 September 2004	680	47	58,026	58,753
At 1 January 2005	680	11	63,142	63,833
Exchange gain on translation of overseas operations not recognised statement	—	486	—	486
Profit for the period	—	—	11,280	11,280
Final dividend for 2004	—	—	(4,800)	(4,800)
At 30 September 2005	680	497	69,622	70,799

MANAGEMENT DISCUSSION AND ANALYSIS

Period in Review

Turnover and profit

During the nine months ended 30 September 2005 (the "review period"), turnover of the Group was HK\$191,551,000, mildly increase by 3.2% as compared to the previous corresponding period. Suffered from the adverse cost effects in the first half of the year, net profit for the review period dropped slightly to HK\$11,280,000, a decrease by 2.3% as compared to the previous corresponding period.

Despite having good orders in the third quarter, the shortage of labour, rapid increase in wage rate and high labour turnover rate in Dongguan area have limited the Group's turnover increment. To solve this problem, the Group began to diversify its manufacturing site. In November, the Group rented a factory of about 2,000 square metres in Fogang, where located in the Northern Guangdong Province to start the first phase of diversification.

Sales to OEM customers and retail distributors for the period under review were HK\$132,075,000 and HK\$59,476,000 respectively, slightly up 4.3% and 0.9% respectively as compared to the previous corresponding period.

The turnover to Korea, Japan, the United States of America and other regions recorded a growth of 147.7%, 9.8%, 19.4% and 9.7% respectively. The turnover to the Republic of China dropped by 34.8%.

Although the adverse cost effects persisted, the gross profit margin ratio improved significantly to 21.4% in the third quarter of this year as compared to 17.0% in the first half. This improvement was attributable to the marketing effort of its Taiwan Branch in raising the selling price thus improving the overall gross profit margin.

Liquidity and financial resources

The financial position of the Group was strong. The Group has cash and bank balances of about HK\$61.6 million as of 30 September 2005. The Group had no interest bearing debt for the nine-month periods ended 30 September 2004 and 2005 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

The external economic factors such as the global price levels of copper and PVC, the labour supply and the effective wages rate in Pearl River Delta area and the exchange rate of Renminbi are expected to continue to affect the operating results of the Group significantly in the near future.

The Group will adopt a number of measures to cope with the challenging environment and minimize the above adverse effects:

- Shift the labour intensive manufacturing processes to Fogang, where the wages rate and some operating expenses are lower than Dongguan
- Strengthen the research and development team and develop and launch more high margin products
- Fully utilise the new Dongguan factory premises to produce high value-added products
- Set up a more competitive human resources policy
- Continue to tighten cost control and enhance cost efficiencies
- Bargain with customers to share the increased costs
- Enhance risk management

Despite keen competition and challenging external economic environment, the Directors have a conserve but optimistic view to its results in the coming quarters.

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

As at 30 September 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 to 5.67 of Chapter 5 of the GEM Listing Rules 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	43.69%
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%

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

(b) Share options

Name of director	Capacity	Number of share options held	Number of underlying shares to be issued upon exercise of the options
Mr. Pang	Beneficial owner	8,000,000	8,000,000
Mr. Wong	Beneficial owner	6,000,000	6,000,000
	Held by spouse (Note 2)	3,050,000	3,050,000
Mr. Hsia	Beneficial owner	3,000,000	3,000,000
Mr. Wong Ngok Chung	Beneficial owner	3,000,000	3,000,000
		23,050,000	23,050,000

Notes:

- (1) The 139,808,000 shares were held by Modern Wealth Assets Limited. 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 Family Trust.
- (2) Mr. Wong is deemed to be interested in the options to acquire shares of the Company, being the interests held beneficially by his spouse, who is an employee of a subsidiary of the Company.

Other than as disclosed above, none of the directors or 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 September 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 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 2005 and 1 January 2005	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.

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 having an interest in the Company required to be entered therein at 30 September 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

INTERESTS IN COMPETITORS

During the nine months ended 30 September 2005, 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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 9 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 monitor the financial reporting and internal control procedures. The third quarterly results announcement 2005 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 30 September 2005.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
11 November 2005