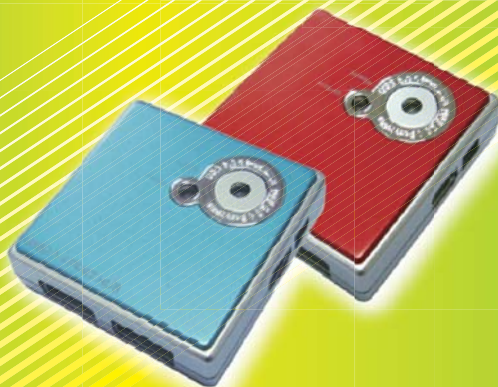




GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 8159)



THIRD QUARTERLY REPORT
2006

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 (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”) having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors of Glory Mark Hi-Tech (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

Condensed Consolidated Income Statement — Unaudited

For the three months and nine months ended 30 September 2006

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	3	98,790	70,467	268,361	191,551
Cost of sales		(84,246)	(55,420)	(228,198)	(155,926)
Gross profit		14,544	15,047	40,163	35,625
Other operating income		985	1,293	2,914	3,106
Selling and distribution expenses		(2,801)	(1,964)	(7,779)	(6,900)
Administrative expenses		(5,937)	(6,998)	(18,459)	(18,721)
Profit from operations	5	6,791	7,378	16,839	13,110
Finance cost		(1)	(1)	(2)	(1)
Profit before taxation		6,790	7,377	16,837	13,109
Taxation	6	(735)	(633)	(1,929)	(1,829)
Profit for the period		6,055	6,744	14,908	11,280
Dividend	7	—	—	—	—
Earnings per share	8				
Basic		HK1.89 cents	HK2.11 cents	HK4.66 cents	HK3.53 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 unaudited quarterly consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong.

2. Principal accounting policies

The unaudited quarterly 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 2005.

3. Turnover

Turnover represents the amounts received and receivable, net of discounts and returns, from the sale of connectivity products mainly for computers, communication, multimedia 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, communication, multimedia 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				Nine months ended 30 September			
	2006		2005		2006		2005	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OEM customers	81,392	82.4	46,065	65.4	202,561	75.5	132,075	69.0
Retail distributors	17,398	17.6	24,402	34.6	65,800	24.5	59,476	31.0
	98,790	100.0	70,467	100.0	268,361	100.0	191,551	100.0

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 September				Nine months ended 30 September			
	2006		2005		2006		2005	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Taiwan	39,217	39.7	22,426	31.8	98,596	36.7	59,020	30.8
Korea	21,090	21.3	14,015	19.9	48,211	18.0	46,918	24.5
Japan	17,756	18.0	19,109	27.1	59,305	22.1	43,756	22.8
United States of America ("U.S.A")	15,507	15.7	9,681	13.7	42,487	15.8	24,676	12.9
Others	5,220	5.3	5,236	7.5	19,762	7.4	17,181	9.0
	98,790	100.0	70,467	100.0	268,361	100.0	191,551	100.0

5. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Depreciation and amortisation	1,487	1,202	3,793	3,554
Loss on disposal of property, plant and equipment	—	31	196	31

6. Taxation

The amount represents current tax charge on assessable profits arising in jurisdiction other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction.

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 timing differences arising the period and at the balance sheet date.

7. Dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (nine months ended 30 September 2005 — nil).

8. Earnings per share

The calculation of basic earnings per share for the three months and nine months ended 30 September 2006 is based on the consolidated profit attributable to shareholders of approximately HK\$6,055,000 and HK\$14,908,000 respectively (three months and nine months ended 30 September 2005: HK\$6,744,000 and HK\$11,280,000 respectively) and on the weighted average number of 320,000,000 shares (2005: 320,000,000 shares).

No dilutive earnings per share has been presented for the three months and nine months ended 30 September 2006 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 under review, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended		Nine months ended	
		30 September		30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid (Note a)	63	63	189	189
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid (Note a)	36	36	110	110
San Chen Company ("San Chen")	Rental paid (Note a)	36	36	110	110
Directors	Remuneration	1,374	1,374	4,160	4,160
Mr. Pang Kuo-Shi ("Mr. Pang")	Disposal of a motor vehicle (Note b)	—	347	—	347
Mr. Pang	Purchase of a motor vehicle (Note b)	332	—	332	—

Notes:

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

Mr. Pang, 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.

- (b) Disposal of a motor vehicle for approximately HK\$347,000 to Mr. Pang in August 2005, and bought back in August 2006 amounting to approximately HK\$332,000, which were valued at open market basis.

10. Reserves

	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	680	11	63,142	63,833
Exchange gain on translation of overseas operations not recognized in the income 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
At 1 January 2006	680	398	79,633	80,711
Exchange gain on translation of overseas operations not recognized in the income statement	—	1,044	—	1,044
Profit for the period	—	—	16,316	16,316
Final dividend for 2005	—	—	(4,800)	(4,800)
At 30 September 2006	680	1,442	91,149	93,271

Management Discussion and Analysis

Period in review

Turnover and profit

During the nine months period ended 30 September 2006 (the period under review), the turnover of the Group was HK\$268,361,000, increased by 40.1% as compared to corresponding period last year.

The turnover to OEM customers and retail distributors during the period under review increased by 53.4% and 10.6% respectively as compared to corresponding period last year.

The turnover to all regions was increased as compared to corresponding period last year. The turnover to Taiwan and U.S.A. were especially encouraging, up 67.1% and 72.2% respectively. These were mainly attributable to successfully obtaining bulky orders from a valuable Taiwan and a valuable U.S.A. OEM customers.

During the period under review, the robust global and over-heating China economies propped up the global prices of copper and polyvinyl chloride (PVC). These resulted in pushing up the prices of the major materials of the Group. The high material costs and the rising wages in China partially offset the profit of the Group. The gross profit margin decreased from 18.6% in the previous corresponding period to 15.0% during the period under review.

To maintain its cost competitiveness, the Group implemented a series of effective cost control measures during the period. The net profit was HK\$14,908,000, increased by 32.2% as compared to corresponding period last year.

Production capacity and capability

The Group has progressively moved its electronics business section to the new factory in Tangxia Town. The commencing operations of this new factory have gradually attracted new valuable customers, which were expected to enhance the turnover of the Group significantly in the coming seasons.

To reduce the production costs, the Group leased a factory in Fogang at the end of last year. This factory gradually gets on its right track. Recently it attains nearly the same production efficiency as our principal factory in Tangxia Town but with much lower running costs. The cost differences in Fogang are mainly due to the relatively lower labour rates there and the preferential policies introduced by Fogang Government. These positive factors help to maintain the Group's competitiveness in the market.

The construction work of the factory of approximately 20,000 square metres in Fogang is carrying as planned. The Group plans to move the labour intensive manufacturing processes to this new factory. With its commencing operation in mid next year, the overall operating costs of the Group are expected to be further reduced.

Liquidity and financial resources

As at 30 September 2006, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$65.5 million, HK\$42.5 million and HK\$123.9 million respectively (nine months ended 30 September 2005: HK\$57.6 million, HK\$57.8 million and HK\$102.8 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.57 (nine months ended 30 September 2005: 1.68). The Group had no interest bearing debt at 30 September 2006.

Outlook

Looking ahead, it is anticipated that the global economy will maintain its momentum. The demand on digital communications will increase. The trend of product miniature, identification of family value and the integration of telecommunication products, computers and home appliances continue. All these factors will generate new business opportunities to the Group.

To cope with these business opportunities, the Group will continue its product strategy to develop multi-functions products and plans to allocate its resources on the new factory premises to develop profit-promising projects.

The Group is adopting a series of effective measures to enhance its competitiveness. It includes strengthening the research and development and production capabilities of its electronics business section, increasing production efficiencies of the Group, conducting business realignments, streamlining its operation flows and investing in information systems. The Directors believes that these measures will benefit the Group both in short and long run.

Summing all these, the Directors are optimistic about the prospect of the Group.

Directors' and Chief Executive's Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2006, the interests and short positions of the Directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of listed companies as referred to in Rules 5.46 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 (<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) 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 (<i>Note 2</i>)	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
		<u>23,050,000</u>	<u>23,050,000</u>

Notes:

- (1) The 139,808,000 shares were held by Modern Wealth Assets Limited. Modern Wealth Assets Limited, 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, underlying shares of the Company or any of its associated corporations at 30 September 2006.

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	Number of shares to be issued upon exercise of the options	Outstanding at 1 January 2006	Exercised/lapsed during the period	Number of options outstanding at 30 September 2006	Subscription 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
	20,000,000	20,000,000	—	20,000,000		
Employees	12,000,000	9,050,000	—	9,050,000	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	29,050,000	—	29,050,000		

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

Substantial Shareholders

Other than the interests disclosed under the section headed “Directors’ and Chief Executive Interests and Short Positions in Shares, Underlying Shares and Debentures” above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 30 September 2006.

Compliance with GEM Listing Rules 5.48 to 5.67

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors, upon specific enquiry being made, confirm that during the nine months ended 30 September 2006, they have complied with the required standards of dealings and the Company’s code of conduct regarding directors’ securities transactions.

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.

Interests in Competitors

During the period under review, none of the Directors or the management shareholders of the Company 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

Saved 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 or at any time during the period.

Corporate Governance

The Company has complied throughout the nine months ended 30 September 2006 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, save for code provision A.4.1 which provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limit on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive Directors' office.

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. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Company. The unaudited third quarterly results announcement presented herein has been reviewed by the Audited Committee which 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 under review.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
14 November 2006

As at the date of this report, the board of Directors 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.