



GLORY MARK HI-TECH (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8159)

Interim Report 2007



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 “Director”) 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 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 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended 30 June 2007

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	132,119	87,949	231,782	169,571
Cost of sales		(116,487)	(75,244)	(203,831)	(143,952)
Gross profit		15,632	12,705	27,951	25,619
Other operating income		2,058	1,046	3,555	1,929
Selling and distribution expenses		(2,790)	(2,055)	(4,992)	(4,978)
Administrative expenses		(7,733)	(6,659)	(13,723)	(12,522)
Bank overdraft interest		—	(1)	—	(1)
Profit before taxation	5	7,167	5,036	12,791	10,047
Taxation	6	(1,107)	(575)	(2,003)	(1,194)
Profit for the period		6,060	4,461	10,788	8,853
Dividend	7	4,800	4,800	4,800	4,800
Earnings per share Basic	8	HK1.89 cents	HK1.39 cents	HK3.37 cents	HK2.77 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2007*

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	64,010	55,592
Prepaid lease payments			
— non-current portion		8,713	8,497
Investment properties	9	2,880	2,880
Deposit for land use right		548	530
Club debenture	10	560	560
		76,711	68,059
CURRENT ASSETS			
Inventories		48,579	32,785
Trade and other receivables	11	124,257	101,773
Bank balances and cash		49,089	64,435
		221,925	198,993
CURRENT LIABILITIES			
Trade and other payables	12	143,376	121,325
Amounts due to directors		1,686	1,338
Taxation payable		14,495	12,465
		159,557	135,128
NET CURRENT ASSETS			
		62,368	63,865
		139,079	131,924
CAPITAL AND RESERVES			
Share capital		32,000	32,000
Reserves		107,079	99,924
		139,079	131,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share Capital	Merger Reserve	Translation Reserve	Accumulated Profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2006	32,000	680	398	79,633	112,711
Exchange gain on translation of overseas operations not recognized in the income statement	—	—	688	—	688
Profit for the period	—	—	—	8,853	8,853
Final dividend for 2005	—	—	—	(4,800)	(4,800)
At 30 June 2006	32,000	680	1,086	83,686	117,452
At 1 January 2007	32,000	680	2,864	96,380	131,924
Exchange gain on translation of overseas operations not recognized in the income statement	—	—	1,167	—	1,167
Profit for the period	—	—	—	10,788	10,788
Final dividend for 2006	—	—	—	(4,800)	(4,800)
At 30 June 2007	32,000	680	4,031	102,368	139,079

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	861	(394)
NET CASH (USED IN) INVESTING ACTIVITIES	(12,922)	(11,050)
NET CASH (USED IN) FINANCING ACTIVITIES	(4,452)	(5,969)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,513)	(17,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	64,435	66,886
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	1,167	688
CASH AND CASH EQUIVALENTS AT END OF PERIOD	49,089	50,161
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	49,089	50,161

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 half-yearly 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 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 half-yearly consolidated financial statements have been prepared under the historical cost convention except for investment properties, which are measured at fair value. 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 2006.

3. Turnover

Turnover represents the amounts received and receivable, net of discounts and returns, from the sale of connectivity products for computers, computer peripheral products, multi-media consumable electronics products, communication products, automobile electronics accessories, wire harness and medical equipments and subcontracting service rendered during the period under review.

4. Segment Information

The Group is principally engaged in the design, development, manufacture and sales of connectivity products for computers, computer peripheral products, multi-media consumable electronics products, communication products, automobile electronics accessories, wire harness and medical equipments. 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 30 June		Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover				
OEM customers	106,219	65,182	179,765	121,169
Retail distributors	25,900	22,767	52,017	48,402
	132,119	87,949	231,782	169,571
Results				
OEM customers	11,250	8,511	19,438	16,237
Retail distributors	4,382	4,194	8,513	9,382
	15,632	12,705	27,951	25,619
Unallocated income	2,058	1,046	3,555	1,929
Unallocated expenses	(10,523)	(8,715)	(18,715)	(17,501)
Profit from operations	7,167	5,036	12,791	10,047

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2007 HK\$'000 (Unaudited)	%	2006 HK\$'000 (Unaudited)	%	2007 HK\$'000 (Unaudited)	%	2006 HK\$'000 (Unaudited)	%
Taiwan	57,438	43.5	31,861	36.2	106,390	45.9	59,379	35.0
Japan	27,546	20.9	21,163	24.1	46,292	20.0	41,549	24.5
United States of America (USA)	28,042	21.2	13,961	15.9	41,840	18.1	26,980	15.9
Korea	13,631	10.3	13,489	15.3	24,876	10.7	27,121	16.0
Others	5,462	4.1	7,475	8.5	12,384	5.3	14,542	8.6
	132,119	100.0	87,949	100.0	231,782	100.0	169,571	100.0

5. Profit from Operations

Profit from operations has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Depreciation and amortisation	2,124	1,034	4,080	2,306
Loss on disposal of property, plant and equipment	—	196	—	196

6. Taxation

The amount represents current tax charge on assessable profit 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 profits arising in Hong Kong in both periods.

No provision for deferred taxation has been made in the condensed consolidated financial statements, as it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

7. Dividend

During the period, a dividend of HK\$1.5 cents per share (2006: HK1.5 cents) was paid to shareholders as the final dividend for 2006.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006 — nil).

8. Earnings Per Share

The calculation of basic earnings per share for the three months and six months ended 30 June 2007 is based on the consolidated profit attributable to shareholders of approximately HK\$6,060,000 and HK\$10,788,000 respectively (three months and six months ended 30 June 2006 — HK\$4,461,000 and HK\$8,853,000 respectively) and on the number of 320,000,000 shares (2006 — 320,000,000 shares) in issue.

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\$12,904,000.

The investment properties were valued at HK\$2,880,000 on 31 December 2006 by DTZ Debenham Tie Leung Limited, an independent registered professional surveyor, on an open market value basis. The Directors consider that the fair value of the investment properties at 30 June 2007 was not significantly different from their carrying value at 31 December 2006.

10. Club Debenture

The Club debenture represents entrance fee paid to a golf club held on a long-term basis. The directors of the Group are of the opinion that the underlying value of the club debenture is at least equal to its cost.

11. 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 the reporting date:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Trade receivables		
Within 30 days	39,062	29,858
Between 31 days and 120 days	76,529	64,278
Between 121 days and 180 days	3,331	2,196
More than 180 days	666	1,042
	119,588	97,374
Other receivables	4,669	4,399
	124,257	101,773

12. Trade and Other Payables

The Group has been granted 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 the reporting date:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Trade payables		
Within 30 days	31,120	24,764
Between 31 days and 90 days	63,403	49,312
Between 91 days and 150 days	18,196	22,053
Over 150 days	4,891	3,897
	117,610	100,026
Other payables	25,766	21,299
	143,376	121,325

13. 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 June		Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rental paid	63	63	126	126
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Rental paid	35	37	72	74
San Chen Company ("San Chen")	Rental paid	35	37	72	74
Directors	Remuneration	1,500	1,392	3,001	2,786

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and profit

The turnover of the Group for the six months ended 30 June 2007 ("the period under review") was approximately HK\$231.8 million (six months ended 30 June 2006: approximately HK\$169.6 million), representing a growth of approximately 36.7%.

The turnover to OEM customers and retail distributors during the period under review increased by 48.4% and 7.5% respectively as compared to the last corresponding period. During the period under review, the Group continuously succeeded in creating businesses with Taiwan and USA OEM customers.

The turnover to Taiwan, Japan, the United States of America increased by 79.2%, 11.4% and 55.1% whereas the turnover to Korea and the other regions decreased by 8.3% and 14.8% respectively as compared to the last corresponding period.

The gross profit and gross profit margin of the Group for the period under review were approximately HK\$28.0 million and 12.1% respectively (six months ended 30 June 2006: approximately HK\$25.6 million and 15.1% respectively). During the period under review, the unfavourable factors such as soaring material costs and substantial increase in labour rates continued affecting the Group.

The net profit of the Group for the period under review was approximately HK\$10.8 million (six months ended 30 June 2006: HK\$8.9 million). The increase in net profit of the Group was mainly attributable to effective cost control.

Production capacity and capability

The new factory at Tangxia Town is in full operation. The Group has shifted the manufacturing of high value-added products to the new factory and the initial results are promising.

As part of the strategy of the Group to decentralize production in Dongguan and lower its overall production cost, the Group shifted some labour intensive manufacturing processes to a leased factory in Fogang. The constructing factory at Fogang is scheduled to commence production in the second half of the year. With everything set and ready to go, the Group is optimistic that the new factory at Fogang will help improve the cost position of the Group in the long term.

At 30 June 2007, the Group had 3,110 (2006: 2,498) employees.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Financial Review** *(Continued)***Liquidity and Financial Resources**

As at 30 June 2007, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$62.4 million, HK\$49.1 million and HK\$139.1 million respectively (31 December 2006: HK\$63.9 million, HK\$64.4 million and HK\$131.9 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.39 (31 December 2006: 1.47). The Group had no interest bearing borrowing at 30 June 2007 and 30 June 2006 respectively.

Outlook

Presently, the soaring of material (particularly copper) and labour cost in the PRC, and the appreciation of RMB continuously post great challenge to the Group. In view of the magnitude of the adverse effect, the Group is unlikely to complete eliminate the influence by enhancing its operating efficiency and sharing the increased costs with our customers. The external economic environment will continue affect the gross profit margin of the Group in the coming quarters.

In order to cope with the trend of integration of the communication and digital products market and benefit from the business opportunities generated, the Group decided to strengthen its electronic production capability by allocating more resources in electronic product research & development and production. At the beginning of 2007, the Group had installed a new SMT production line in the new factory to strengthen its electronic production capability.

During the period, the Group has secured a contract with a major communication connector manufacturer. It provides the Group the diversification to expand into another market frontier in the second half of the year.

The new factory in Tangxia has already commenced operation. This new factory in Tangxia will continue to attract global clients and manufacture high value-adding products. The Directors continue to anticipate that this balanced development policy and division of labor will generate profitable business opportunities to the Group in the coming period.

Looking ahead, the Directors have a reserved but optimistic view to the results of the Group in the coming quarters.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the directors, the chief executive and their associates in the shares, underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance), 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 standards of dealing by directors of listed companies as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

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%
		233,199,000	72.87%

Note:

- Modern Wealth Assets Limited held the 139,808,000 shares. Modern Wealth Assets Limited is a wholly-owned subsidiary of True Profit Management Limited, which in turn is a wholly-owned subsidiary of HSBC International Trustee Limited, the trustee of a discretionary trust, the Pang's Family Trust.

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, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2007.

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 of the company 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:

As at 1 January 2007, all Pre-IPO share options had been lapsed.

The Directors may consider granting share options to the eligible persons under the approved Post-IPO Share Option Scheme at appropriate time.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests in Shares 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 Future Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 30 June 2007.

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 six months ended 30 June 2007, they have complied with the required standards of dealings and the Company's code of conduct regarding directors' securities transactions.

INTERESTS IN COMPETITORS

During the six months ended 30 June 2007, 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

Saved as disclosed in note 13 above:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules; 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 under review.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2007 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 provisions A.4.1 which provides that non-executive directors should be 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 limits 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' offices.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, Mr. Lau Ho Kit, Ivan, Dr. Hon. Lui Ming Wah, S.B.S., 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 of the Company. The interim results presented herein has not been audited but has been reviewed by the Audited 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 six months ended 30 June 2007.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the PRC

14 August 2007

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, S.B.S., JP, Mr. Lau Ho Kit, Ivan and Mr. Wong Kwong Chi being Independent Non-Executive Directors.