



# GLORY MARK HI-TECH (HOLDINGS) LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8159

First Quarterly Report  
**2010**



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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the 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.

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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 (“GEM Listing Rules”) for the purpose of giving information with regard to 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 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 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the three months ended 31 March 2010

	NOTES	Three months ended 31 March	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	94,542	76,265
Cost of sales		(82,239)	(65,165)
Gross profit		12,303	11,100
Other income		1,162	298
Selling and distribution expenses		(2,924)	(1,799)
Administrative expenses		(6,960)	(6,767)
Bank overdraft interest		-	(1)
Profit before taxation	5	3,581	2,831
Income tax expense	6	(409)	(371)
Profit for the period		3,172	2,460
<b>Other comprehensive income for the period:</b>			
Exchange differences arising from translation of foreign operations		115	103
Total comprehensive income for the period		3,287	2,563
Profit for the period attributable to:			
- Equity holders of the Company		3,100	2,460
- Minority interests		72	-
		3,172	2,460
Total comprehensive income attributable to:			
- Equity holders of the Company		3,215	2,563
- Minority interests		72	-
		3,287	2,563
Earnings per share			
Basic	8	HK0.97 cents	HK0.77 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 three-months 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 GEM of the 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 three-months 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 2009 ("the 2009 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detail in notes of the 2009 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group's condensed consolidated financial statements for the period.

### 3. REVENUE

Revenue represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly 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

Segment information reported internally for the purposes of resource allocation and performance assessment is analysed based on the class of customers which is the same as information reported to the chief operating decision maker. The Group is currently engaged in the sales of connectivity products to two classes of customers, namely, original equipment manufacturer customers ("OEM customers") and retail distributors. The Group's operating segments under HKFRS 8 are as follows:

### Segment Revenue

	Three months ended 31 March			
	2010		2009	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	76,813	81.2%	60,213	79.0%
Retail distributors	17,729	18.8%	16,052	21.0%
	<b>94,542</b>	<b>100.0%</b>	76,265	100.0%

### Geographical information

Sales analysis by geographical location of the customer:-

	Three months ended 31 March			
	2010		2009	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Republic of China ("ROC")	45,967	48.6%	47,595	62.4%
Japan	19,362	20.5%	15,713	20.6%
The United States of America (the "USA")	9,416	9.9%	6,892	9.0%
Korea	16,251	17.2%	2,722	3.6%
Others	3,546	3.8%	3,343	4.4%
	<b>94,542</b>	<b>100.0%</b>	76,265	100.0%

## 5. PROFIT BEFORE TAXATION

Profit from operations has been arrived at after charging:–

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation and amortisation	<b>2,802</b>	2,922

## 6. INCOME TAX EXPENSE

The taxation provided represents the People's Republic of China ("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 an interim dividend for the three months ended 31 March 2010 (three months ended 31 March 2009 – nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2010 is based on the unaudited consolidated profit attributable to the equity holders of approximately HK\$3,100,000 (for the three months ended 31 March 2009 – HK\$2,460,000) and on the weighted average number of 320,000,000 shares (2009 – 320,000,000 shares).

## 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 31 March	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid (Note a)	–	168
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM (Taiwan)")	Rental paid (Note a)	37	34
Billion Mass Limited ("Billion Mass")	Rentals paid (Note a)	231	–
San Chen Company ("San Chen")	Rental paid (Note a)	37	34
Directors	Remuneration	1,501	1,501

Note:

(a) 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 equity holders of the Company, together hold 100% interest in GM Enterprises and Billion Mass and 79% interest in GM (Taiwan). Mr. Pang holds 40% interest in San Chen.

## 10. RESERVES

There were no movements in reserves of the Group during the three months ended 31 March 2010 other than profit attributable to shareholders of approximately HK\$3,100,000 (for the three months ended 31 March 2009 – approximately HK\$2,460,000).

## 11. EVENT AFTER THE REPORTING PERIOD

The Board proposed to allot and issue bonus shares to the shareholders on the basis of one bonus share for every one existing share held on 5 May 2010. Based on a total of 320,000,000 shares in issue as at the date hereof, 320,000,000 bonus shares will be issued by the Company. The Company's issued share capital will increase from approximately HK\$32,000,000 to approximately HK\$64,000,000 upon the completion of the bonus issue.

The bonus issue is subject to approval of the Company's shareholders at the forthcoming annual general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Period in Review

#### *Revenue and Profit*

The revenue of the Group for the three months ended 31 March 2010 (“the period under review”) was approximately HK\$94.5 million (three months ended 31 March 2009: approximately 76.3 million), increase by approximately 23.9%.

Compared with the last corresponding period, the profit for the period under review attributable to the equity holders increased by 26.0%, representing approximately HK\$3,100,000 (three months ended 31 March 2009: approximately HK\$2,460,000).

The revenue to OEM customers and retail distributors during the period under review increased by 27.6% and 10.4% respectively as compared to the last corresponding period.

The revenue to Japan, USA, Korea and the other regions increased by 23.2%, 36.6%, 497.0% and 6.1% respectively whereas the revenue to ROC slightly decreased by 3.4% as compared to the last corresponding period. The substantial increase in revenue to Korea was attributable to the enhancement of business relationship with a Korea OEM customer.

The cost ratio of the selling and distribution expenses during the period under review was 3.1%, increase by 0.7% as compared to the last corresponding period. This was mainly attributable to the increase in sales commission and sales with CIF shipment terms during the period under review as compared to the last corresponding period.

Save as aforesaid, the Group successfully managed to control all the other costs in an efficient level.

### **Liquidity and financial resources**

The Group continues to maintain a strong financial position. As at 31 March 2010, the Group’s net current assets, cash and bank balances and shareholders’ funds amounted to approximately HK\$96.4 million, HK\$99.8 million and HK\$180.9 million respectively (31 December 2009: HK\$91.6 million, HK\$90.2 million and HK\$177.7 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.69 (three months ended 31 March 2009: 1.70). The Group had no interest bearing borrowing as at 31 March 2010 (31 December 2009: Nil).



## **Outlook**

The sales order level in the recent months remains strong. This is attributable to the perseverance of our marketing team and is also benefit by the continuously unprecedented global monetary and fiscal stimulus.

Despite of the above, the outlook is challenging in 2010. The external environment remains full of numerous uncertainties. The financial crisis of USA and European countries is far from over. This leads hard to predict the evolvement of adjustment in US and European household and business consumptions in coming seasons.

The labour policy of the PRC government seems to consecutively push up its wages rates. This will inevitably adversely affect all the labour intensive industries in China by substantially pushing up the manpower costs.

The Directors will not underestimate the potential downside effects of these challenges. The Group will adopt a number of measures step by step to deal with these challenging positions: -

- invest in industrial automation and improve the manufacturing methodology to minimize the reliance of workers and reduce the manpower costs;
- invest in computer management operating system to enhance the operating efficiencies;
- develop high value-added products and seek for good investment opportunities, which will enhance the profit margin of the Group;
- continue the successful measures adopted by the Group; and
- keep sufficient cash on hand and seek for good investment opportunities.

Considering all these above, the Directors are cautiously optimistic to the operating results of the Group in coming quarters.

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

As at 31 March 2010, 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 Exchange pursuant to the required standards of dealing by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the 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	Held by family trust (Note)	139,808,000	43.69%
Mr. Wong Chun	Beneficial owner	58,447,000	18.26%
Mr. Hsia Chieh-Wen	Beneficial owner	34,944,000	10.92%
Mr. Wong Kwong Chi	Interest of Spouse	3,190,000	0.99%
		<u>236,389,000</u>	<u>73.87%</u>

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 or underlying shares of the Company and its associated corporations as at 31 March 2010.

## **SHARE OPTION SCHEMES**

Pursuant to the Company's share option scheme adopted on 13 December 2001 (the "Scheme") for the purpose of providing incentives to directors and eligible employees, the Company may grant options to directors and full-time employees of the Group to subscribe for shares of the Company.

The total number of shares in respect of which may be granted under the Scheme is not permitted to exceed 30% of the shares of the company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. Options may be exercised at any one time from the thirteenth month from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will be at least the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

No share options were granted under the Scheme since its adoption.

## **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 as at 31 March 2010.

## 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 three months ended 31 March 2010, 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 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.

## INTERESTS IN COMPETITORS

During the three months ended 31 March 2010, 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; 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.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, Mr. Lau Ho Kit, Ivan, Dr. 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 first 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 three months ended 31 March 2010.

On behalf of the Board

**Pang Kuo-Shi**

*Chairman*

Hong Kong Special Administrative Region of the PRC

12 May 2010

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