



THIRD QUARTERLY REPORT 2011



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159

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This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the nine months ended 30 September 2011

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	3	93,359	95,553	275,967	298,030
Cost of sales		(87,627)	(84,296)	(256,286)	(264,375)
Gross profit		5,732	11,257	19,681	33,655
Other income		1,003	366	2,403	2,505
Selling and distribution expenses		(2,758)	(3,058)	(8,770)	(9,214)
Administrative expenses		(6,560)	(6,879)	(20,494)	(20,859)
(Loss)/Profit before taxation		(2,583)	1,686	(7,180)	6,087
Income tax expense	5	(383)	(392)	(1,122)	(1,325)
(Loss)/Profit for the period	6	(2,966)	1,294	(8,302)	4,762
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operations		506	711	1,528	932
Total comprehensive (expense)/income for the period		(2,460)	2,005	(6,774)	5,694
(Loss)/Profit for the period attributable to:					
– Owners of the Company		(3,144)	1,245	(8,499)	4,568
– Non-controlling interests		178	49	197	194
		(2,966)	1,294	(8,302)	4,762
Total comprehensive (expense)/income attributable to:					
– Owners of the Company		(2,638)	1,956	(6,971)	5,500
– Non-controlling interests		178	49	197	194
		(2,460)	2,005	(6,774)	5,694
(Loss)/Earnings per share (HK cents)					
Basic	8	(0.49)	0.19	(1.33)	0.71

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the nine months ended 30 September 2011

	Share Capital	Merger Reserve	Translation Reserve	Retained Profits	Total	Non- controlling Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2010	32,000	680	7,107	137,943	177,730	239	177,969
Profit for the period	-	-	-	4,568	4,568	194	4,762
Other comprehensive income	-	-	932	-	932	-	932
Total comprehensive income for the period	-	-	932	4,568	5,500	194	5,694
Capitalisation due to bonus issue	32,000	-	-	(32,000)	-	-	-
Costs for bonus issue	-	-	-	(57)	(57)	-	(57)
Dividend recognized as distribution	-	-	-	(6,400)	(6,400)	-	(6,400)
At 30 September 2010	64,000	680	8,039	104,054	176,773	433	177,206
At 1 January 2011	64,000	680	9,276	107,496	181,452	591	182,043
(Loss)/Profit for the period	-	-	-	(8,499)	(8,499)	197	(8,302)
Other comprehensive income for the period	-	-	1,528	-	1,528	-	1,528
Total comprehensive income/ (expense) for the period	-	-	1,528	(8,499)	(6,971)	197	(6,774)
Dividend recognized as distribution	-	-	-	(1,920)	(1,920)	-	(1,920)
At 30 September 2011	64,000	680	10,804	97,077	172,561	788	173,349

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the group reorganisation in 2001.

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 consolidated financial statements for the three months and nine months ended 30 September 2011 (“unaudited consolidated financial statement”) have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of GEM Listing Rules and with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 2010 (“the 2010 Financial Statements”), except for the amendments and interpretations of HKFRSs (“New HKFRSs”) issued by HKICPA which have become effective in this period as detailed in notes of the 2010 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 electronic products, communication products, automobile electronics accessories, wire harness, medical equipment and subcontracting service rendered during the period under review.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports regularly reviewed by the directors, who are the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance.

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 makers. 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:

Business segments

	Three months ended 30 September				Nine months ended 30 September			
	2011		2010		2011		2010	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	79,674	85.3	81,090	84.9	219,101	79.4	247,976	83.2
Retail distributors	13,685	14.7	14,463	15.1	56,866	20.6	50,054	16.8
	93,359	100.0	95,553	100.0	275,967	100.0	298,030	100.0

Geographical segments

Sales analysis by geographical customer market:–

	Three months ended 30 September				Nine months ended 30 September			
	2011		2010		2011		2010	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Taiwan	32,354	34.6	43,081	45.1	102,599	37.2	149,739	50.2
Japan	13,630	14.6	14,454	15.1	66,295	24.0	51,238	17.2
USA	9,496	10.2	19,276	20.2	32,794	11.9	37,978	12.7
Korea	34,508	37.0	15,657	16.4	67,404	24.4	47,850	16.1
Others	3,371	3.6	3,085	3.2	6,875	2.5	11,225	3.8
	93,359	100.0	95,553	100.0	275,967	100.0	298,030	100.0

5. INCOME TAX EXPENSE

The taxation provided represents PRC enterprise income tax, which is calculated at the prevailing rates.

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.

6. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/Profit for the period has been arrived at after charging:–

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Depreciation and amortisation	2,753	2,970	9,340	8,635
(Gain)/Loss on disposal of property, plant and equipment	(35)	131	(35)	131

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the three months and nine months ended 30 September 2011 is based on the consolidated (loss)/profit attributable to shareholders of approximately HK\$(3,144,000) and HK\$(8,499,000) respectively (three months and nine months ended 30 September 2010: profit:– HK\$1,245,000 and HK\$4,568,000 respectively) and on the number of 640,000,000 shares (2010: 640,000,000 shares) in issue.

No dilutive (loss)/earnings per share has been presented for the three months and nine months ended 30 September 2011 because there is no outstanding share options in the respective periods.

9. RELATED PARTY TRANSACTIONS

During the periods, 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	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Glory Mark Electronic Limited ("GM Taiwan") (incorporated in Taiwan)	Rental paid (Note)	40	37	120	110
Billion Mass Limited ("Billion Mass")	Rentals paid (Note)	204	231	612	693
San Chen Company ("San Chen")	Rental paid (Note)	40	37	120	110
Directors	Remuneration	1,501	1,501	4,502	4,502

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Period in Review

Revenue and loss

The revenue of the Group for the nine months ended 30 September 2011 (“the period under review”) was approximately HK\$276.0 million (nine months ended 30 September 2010: approximately HK\$298.0 million), decreased by approximately 7.4%.

Seriously affected by the surge of manpower costs in China, the Group incurred a loss for the period attributable to owners of the Company of approximately HK\$8.5 million during the period under review, as compared to a profit of approximately HK\$4.6 million during the last corresponding period.

The revenue to OEM customers during the period under review decreased by 11.6% whereas the revenue to retail distributors increased by 13.6% respectively as compared to the last corresponding period.

The revenue to Japan and Korea increased by 29.4% and 40.9% respectively whereas the revenue to Taiwan, USA and the other regions decreased by 31.5%, 13.7% and 38.8% respectively.

Liquidity and financial resources

As at 30 September 2011, the Group’s net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK\$82.4 million, HK\$57.1 million and HK\$172.6 million (31 December 2010:– HK\$89.1 million, HK\$94.2 million and HK\$181.5 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.57 (31 December 2010: 1.64). The Group had no interest bearing debt as at 30 September 2011 (31 December 2010: nil).

OUTLOOK

The significant increase in wage rates in China is a huge challenge for the Group in the coming seasons. This adverse cost effect will also inevitably push up the raw material prices of most of our suppliers in the near future.

OUTLOOK *(Continued)*

The Group is seeking all solutions to enhance its cost effectiveness including adoption of production automation and a more efficient computer management operating system.

Looking ahead, the Directors remain a conservative view as to the results of the Group in the coming quarters.

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

At 30 September 2011, the interests of the directors and their associates in the shares and underlying shares of the Company, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by directors of listed issuer as referred to the Rules 5.46 to 5.67 of Chapter 5 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by the Stock Exchange (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. Wong Chun (“Mr. Wong”)	Beneficial owner	116,894,000	18.26%
Mr. Hsia Chieh-Wen (“Mr. Hsia”)	Beneficial owner	69,888,000	10.92%
Mr. Wong Kwong Chi	Interest of Spouse	6,380,000	0.99%

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 at 30 September 2011.

SHARE OPTION SCHEME

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 options 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 single year is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, 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 have been granted under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the nine month period ended 30 September 2011 was the Company or any of its subsidiaries, a party to any arrangements, which enabled the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUFFICIENT OF PUBLIC FLOAT

The Company maintained sufficient public float throughout the nine month period ended 30 September 2011.

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 the following person as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2011:

Name of Substantial Shareholder	Capacity	Number of Issued Ordinary Shares held	Percentage of issued share capital of the Company
HSBC International Trustee Limited (Note)	Trustee	279,616,000	43.69%

Note: HSBC International Trustee Limited is the trustee of the discretionary trust, the Pang's Family Trust, and is deemed to be interested in 279,616,000 Shares held by Modern Wealth Assets Limited, a wholly owned subsidiary of the True Profit Management Limited which in turn is a wholly owned subsidiary of HSBC International Trustee Limited. Mr. Pang Kuo-Shi, an executive director of the Company, is also a director of Modern Wealth Assets Limited and his wife is a beneficiary of the Pang's Family Trust.

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 period under review, they have complied with the required standards of dealings and the Company's code of conduct regarding directors' securities transactions.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2011 or at any time during the nine months period ended 30 September 2011.

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.

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 nine months ended 30 September 2011.

INTERESTS IN COMPETITORS

During the nine months ended 30 September 2011, 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.

CORPORATE GOVERNANCE

The Company has complied throughout the nine months ended 30 September 2011 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 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. 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 third quarterly results of 2011 presented herein has not been audited but has been reviewed by the Audited Committee, which has provided advice and comments thereon.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
9 November 2011

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