



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159



FIRST QUARTERLY REPORT

2012

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 higher investment risk may be attached than other companies listed on the Exchange. 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.

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This report, for which the directors of Glory Mark Hi-Tech (Holding) 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 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 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 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 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three months ended 31 March 2012

	Notes	Three months ended 31 March	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	78,816	89,022
Cost of sales		(73,906)	(80,991)
Gross profit		4,910	8,031
Other income		1,117	633
Selling and distribution expenses		(2,794)	(2,809)
Administrative expenses		(7,063)	(7,065)
Loss before taxation	5	(3,830)	(1,210)
Taxation	6	(432)	(371)
Loss for the period		(4,262)	(1,581)
Other comprehensive income for the period:			
Exchange differences arising from translation of foreign operations		4	405
Total comprehensive expense for the period		(4,258)	(1,176)
Profit/(Loss) for the period attributable to:			
– Equity holders of the Company		(4,329)	(1,583)
– Non-controlling interests		67	2
		(4,262)	(1,581)
Total comprehensive income/(expense) attributable to:			
– Equity holders of the Company		(4,325)	(1,178)
– Non-controlling interests		67	2
		(4,258)	(1,176)
Loss per share			
Basic	8	HK(0.68) cents	HK(0.25) 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 shares of par value of HK\$0.1 each of the Company (the "Share") are listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 January 2002.

The unaudited consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company is United States dollars ("USD"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the unaudited consolidated financial statements in Hong Kong dollars.

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 2011 ("the 2011 Financial Statements"), except for the amendments and interpretations of HKFRSs (the "New HKFRSs") issued by HKICPA which have become effective in this period as detailed in the notes of the 2011 Financial Statements. The adoption of the 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

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, the same information is also 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 31 March			
	2012		2011	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
OEM customers	65,521	83.1%	67,547	75.9%
Retail distributors	13,295	16.9%	21,475	24.1%
	78,816	100.0%	89,022	100.0%

Geographical information

Sales analysis by geographical customer market:-

	Three months ended 31 March			
	2012		2011	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Taiwan	29,632	37.5%	36,211	40.7%
Japan	17,475	22.2%	25,303	28.4%
The United States of America (the "USA")	7,884	10.0%	9,220	10.4%
Korea	23,066	29.3%	16,394	18.4%
Others	759	1.0%	1,894	2.1%
	78,816	100.0%	89,022	100.0%

5. LOSS BEFORE TAXATION

Loss from operations has been arrived at after charging:–

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation	2,726	3,269

6. TAXATION

The taxation provided represents the People's Republic of China ("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 was no material timing difference 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 31 March 2012 (three months ended 31 March 2011 – nil).

8. LOSS PER SHARE

The calculation of basic loss per Share for the three months ended 31 March 2012 is based on the unaudited consolidated loss attributable to shareholders of the Company (the "Shareholders") of approximately HK\$4,329,000 (for the three months ended 31 March 2011 – loss: HK\$1,583,000) and on the weighted average number of 640,000,000 shares (2011 – 640,000,000 shares).

9. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest free and repayable on demand.

10. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the related party balances disclosed in note 9, during the period under review, the Group entered into the following transactions with connected and related parties:

Name of related party	Nature of transactions	Three months ended 31 March	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Glory Mark Electronic Limited ("GM (Taiwan)") (incorporated in Taiwan)	Rental paid	39	40
Billion Mass Limited ("Billion Mass")	Rental paid	201	204

Mr. Pang Kuo-Shi, Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% controlling interest in GM (Taiwan) and 100% controlling interest in Billion Mass. All the above related parties are also connected persons as defined under Chapter 20 of the GEM Listing Rules that constitutes connected transactions.

11. RESERVES

There was no movement in reserves of the Group during the three months ended 31 March 2012 other than loss attributable to shareholders of approximately HK\$4,329,000 (for the three months ended 31 March 2011 – loss of approximately HK\$1,583,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Period under Review

Revenue and loss

The Group recorded a revenue of approximately HKD78,816,000 for the three months ended 31 March 2012, representing an decrease of approximately 11.5% as compared to the last corresponding period (three months ended 31 March 2011: approximately HKD89,022,000).

Suffered from the high material and labour costs, the Group recorded a loss attributable to Shareholders of approximately HKD4,329,000 (three months ended 31 March 2011: loss of HKD1,583,000).

The revenue from OEM customers during the period under review was approximately HK\$65.5 million, decreased by 3.0% as compared to the last corresponding period. The revenue to retail distributors was approximately HK\$13.3 million, decreased by 38.1%.

The revenue from Korea increased by 40.7% whereas the revenue from Taiwan, Japan, USA and the other regions decreased by 18.2%, 30.9%, 14.5% and 59.9% respectively as compared to the last corresponding period.

Attributed to its tight cost control measures, all the other costs of the Group during the period under review were kept at an efficient level.

Liquidity and financial resources

The Group continues to maintain a strong financial position. As at 31 March 2012, the Group's net current assets, cash and bank balances and Shareholders' funds amounted to approximately HK\$72.8 million, HK\$138.5 million and HK\$164.4 million respectively (31 December 2011: HK\$76.9 million, HK\$131.7 million and HK\$168.6 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.40 (31 December 2011: 1.40). The Group had no interest bearing borrowing as at 31 March 2012 (31 December 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

It is anticipated that the unfavourable factors including increasing material and labour costs will continue to affect the results of the Group in the coming seasons.

Having considered the unfavourable economic situations, the Directors maintain a conservative view as to the results of the coming quarters.

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

As at 31 March 2012, 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:

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

(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. Wong Chun	Beneficial owner	116,894,000	18.26%
Mr. Hsia Chieh-Wen	Beneficial owner	69,888,000	10.92%
Mr. Wong Kwong Chi	Interest of Spouse	63,800,000	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 as at 31 March 2012.

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 Rules 5.67 of the GEM Listing Rules. The Directors, upon specific enquiry being made, confirm that during the three months ended 31 March 2012, they have complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 13 December 2001 (the "Scheme") for the purpose of providing incentives to directors and eligible employees expired on 3 January 2012. No share option was granted under the Scheme since its adoption. Save as aforesaid, there is no other share option scheme subsist during the period under review.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors 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 has maintained a sufficient public float throughout the period ended 31 March 2012.

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 Futures Ordinance discloses the following person as having a modifiable interest or short positions in the issued share capital of the Company as at 31 March 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.

CORPORATE GOVERNANCE

The Company complied throughout the three months period ended 31 March 2012 with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save for one exception: Code provision A4.1 provides that non-executive Directors should be appointed for specific term, subject to re-election. The Company deviated from this provision in that all non-executive Directors of the Company were 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 already given the Company's shareholders the right to approve continuation of non-executive Directors' offices. The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings 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 of dealings and the code of conduct regarding securities transactions by directors adopted by the Company. The Company has received, from each of the independent non-executive directors, an annual confirmation on his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

PRE-EMPTIVE RIGHTS

There is no provision 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 three months ended 31 March 2012, 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

During the period, the Group paid rental expenses of HK\$39,000 (2011: HK\$40,000) to San Chen Company in which Mr. Pang Kuo-Shi holds 42.75% equity interest and can exercise significant influence in it.

Save as disclosed above and in note 10:

- (i) there was no transaction, which needs 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, Ph.D., S.B.S., JP and Mr. Wong Kwong Chi, all of whom 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 have not been audited but have been reviewed by the Audited Committee members who have 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 Shares during the three months ended 31 March 2012.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the PRC

10 May 2012

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