



## GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159



THIRD 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 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.*

## THIRD QUARTERLY RESULTS

The board of directors (the "Directors") of 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 "Third Quarterly Period") and nine months (the "Nine-Month Period") ended 30 September 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the nine months ended 30 September 2012

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	73,436	93,359	228,481	275,967
Cost of sales		(64,354)	(87,627)	(200,490)	(256,286)
Gross profit		9,082	5,732	27,991	19,681
Other income		1,180	1,003	3,088	2,403
Selling and distribution expenses		(2,681)	(2,758)	(8,250)	(8,770)
Administrative expenses		(6,328)	(6,560)	(19,941)	(20,494)
Profit/(Loss) before taxation	5	1,253	(2,583)	2,888	(7,180)
Income tax expense	6	(396)	(383)	(1,275)	(1,122)
Profit/(Loss) for the period		857	(2,966)	1,613	(8,302)
<b>Other comprehensive income/ (expense) for the period:</b>					
Exchange differences arising from translation of foreign operations		289	506	(264)	1,528
Total comprehensive income/(expense) for the period		1,146	(2,460)	1,349	(6,774)
Profit/(Loss) for the period attributable to:					
– Owners of the Company		642	(3,144)	1,260	(8,499)
– Non-controlling interests		215	178	353	197
		857	(2,966)	1,613	(8,302)
Total comprehensive income/(expense) attributable to:					
– Owners of the Company		931	(2,638)	996	(6,971)
– Non-controlling interests		215	178	353	197
		1,146	(2,460)	1,349	(6,774)
Earnings/(Loss) per share					
Basic	8	HK0.10 cents	HK(0.49)cents	HK0.20 cents	HK(1.33)cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	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 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/(expenses) 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
At 1 January 2012	64,000	680	11,622	92,288	168,590	697	169,287
Profit for the period	-	-	-	1,260	1,260	353	1,613
Other comprehensive income/(expense) for the period	-	-	(264)	-	(264)	-	(264)
Total comprehensive income/(expense) for the period	-	-	(264)	1,260	996	353	1,349
Dividend recognized as distribution	-	-	-	(960)	(960)	-	(960)
At 30 September 2012	64,000	680	11,358	92,588	168,626	1,050	169,676

## 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 nine months consolidated financial statements 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 nine 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 (“New HKFRSs”) issued by HKICPA which have become effective in this period as detail in notes of the 2011 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

The Group has adopted HKFRS 8 “Operating Segments”. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group’s executive directors, for the purpose of allocating resources to the segment and assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach. Before the adoption of HKFRS 8, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is principally engaged in the design, development, manufacture and 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. The majority of the Group’s products are sold to original equipment manufacturer (“OEM”) customers and retail distributors. These businesses with OEM customers and retail distributors are the basis on which the Group reports its primary segment information.

### Business segments

	Three months ended				Nine months ended			
	30 September		30 September		30 September		30 September	
	2012		2011		2012		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
OEM customers	60,852	82.9	79,674	85.3	188,639	82.6	219,101	79.4
Retail distributors	12,584	17.1	13,685	14.7	39,842	17.4	56,866	20.6
	73,436	100.0	93,359	100.0	228,481	100.0	275,967	100.0

#### 4. SEGMENT INFORMATION (Continued)

##### Geographical segments

Sales analysis by geographical customer market:–

	Three months ended				Nine months ended			
	30 September		30 September		30 September		30 September	
	2012		2011		2012		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Taiwan	21,222	28.9	32,354	34.6	77,728	34.0	102,599	37.2
Korea	21,953	29.9	34,508	37.0	65,482	28.7	67,404	24.4
Japan	17,851	24.3	13,630	14.6	51,660	22.6	66,295	24.0
United States of America ("USA")	10,933	14.9	9,496	10.2	29,862	13.1	32,794	11.9
Others	1,477	2.0	3,371	3.6	3,749	1.6	6,875	2.5
	<b>73,436</b>	<b>100.0</b>	<b>93,359</b>	<b>100.0</b>	<b>228,481</b>	<b>100.0</b>	<b>275,967</b>	<b>100.0</b>

#### 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation has been arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	2,221	2,753	7,315	9,340
(Gain)/Loss on disposal of property, plant and equipment	–	(35)	–	(35)

#### 6. INCOME TAX EXPENSE

The taxation provided represents 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 any dividend for the nine months ended 30 September 2012 (nine months ended 30 September 2011: nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30 September 2012 is based on the consolidated profit attributable to shareholders of approximately HK\$642,000 and HK\$1,260,000 respectively (three months and nine months ended 30 September 2011: loss:- HK\$(3,144,000) and HK\$(8,499,000) respectively) and on the number of 640,000,000 shares (2011: 640,000,000 shares in issue).

No dilutive earnings/(loss) per share has been presented for the three months and nine months ended 30 September 2012 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	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Glory Mark Electronic Limited ("GM Taiwan") (incorporated in Taiwan)	Rental paid	39	40	118	120
Billion Mass Limited ("Billion Mass")	Rentals paid	201	204	603	612

Note:

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 Billion Mass. All the above related parties are also connected persons as defined under chapter 20 of the GEM Listing Rules that connected transaction.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Period in Review

#### *Revenue and profit/(loss)*

The Group recorded a revenue of approximately HK\$228,481,000 for the nine months ended 30 September 2012 (“the period under review”), representing a decrease of approximately 17.2% as compared to the last corresponding period (the nine months ended 30 September 2011: approximately HK\$275,967,000).

The profit attributable to Shareholders during the period under review was approximately HK\$1,260,000 as compared to a loss of approximately HK\$8,499,000 in the last corresponding period. During the period under review, the Group fine-tuned its business strategy to focusing on the higher value-added products. Although the revenue during the period under review decreased as a result of this strategy, profit position has improved.

The revenue from OEM customers and retail distributors during the period under review were approximately HK\$188.6 million and HK\$39.8 million respectively, decreased by approximately 13.9% and 29.9% respectively.

The revenue from Taiwan, Japan, USA, Korea and the other regions decreased by approximately 24.2%, 22.1%, 8.9%, 2.9% and 45.5% 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*

As at 30 September 2012, the Group’s net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK\$80.2 million, HK\$148.7 million and HK\$168.6 million (31 December 2011:– HK\$76.9 million, HK\$131.7 million and HK\$168.6 million) respectively. The current ratio, expressed as current assets over current liabilities, maintained at the level of 1.49 (31 December 2011: 1.40). The Group had no interest bearing debt as at 30 September 2012 (31 December 2011: nil).

As of 30 September 2012, include in other payable are non-interest bearing advances of HK\$56,327,000 received from third parties and a director of the Company. The Group intends to cooperate with these parties to procure potential investments.

## OUTLOOK

The Group is not optimistic to its turnover in the coming quarter as a result of the European financial crisis and economic problems facing the America.

The unfavourable factors including the rising material and labour costs will continue to affect the results of the Group in the coming seasons. The Group will try to minimize these unfavourable factors by promoting higher value-added products.

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

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

As at 30 September 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:

### (a) Ordinary shares of HK\$0.1 each of the Company

<u>Name of director</u>	<u>Capacity</u>	<u>Number of Issued Ordinary Shares held</u>	<u>Percentage of Issued share capital of the Company</u>
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 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 nine months ended 30 September 2012, they have complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

## SHARE OPTION SCHEMES

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.

## 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 2012:

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of Issued Ordinary Shares held</b>	<b>Percentage of issued share capital of the Company</b>
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 nine months ended 30 September 2012, 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 nine months ended 30 September 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\$118,000 (2011: HK\$120,000) San Chen Company in which Mr. Pang holds 42.75% and can exercise significant influence in it.

Save as disclosed above and in note 9:

- (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 complied throughout the nine months period ended 30 September 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.

## 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, and all of them 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 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 nine months ended 30 September 2012.

On behalf of the Board

**Pang Kuo-Shi**

*Chairman*

Hong Kong Special Administrative Region of the People's Republic of China  
13 November 2012

*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.*