



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159



INTERIM REPORT
2013

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.

INTERIM 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 "Second Quarterly Period") and six months (the "Half-Yearly Period") ended 30 June 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	68,158	76,229	132,764	155,045
Cost of sales		(60,511)	(62,230)	(116,257)	(136,136)
Gross profit		7,647	13,999	16,507	18,909
Other income		871	791	1,381	1,908
Selling and distribution expenses		(2,401)	(2,775)	(4,815)	(5,569)
Administrative expenses		(6,346)	(6,550)	(12,568)	(13,613)
(Loss)/Profit before taxation	5	(229)	5,465	505	1,635
Income tax expenses	6	(454)	(447)	(894)	(879)
(Loss)/Profit for the period		(683)	5,018	(389)	756
Other comprehensive (expense)/ income for the period:					
Exchange differences arising from translation of foreign operations		519	(557)	751	(553)
Total comprehensive (expense)/income for the period		(164)	4,461	362	203
(Loss)/Profit for the period attributable to:					
– Equity holders of the Company		(816)	4,947	(676)	618
– Non-controlling interests		133	71	287	138
		(683)	5,018	(389)	756
Total comprehensive (expense)/income attributable to:					
– Equity holders of the Company		(297)	4,390	75	65
– Non-controlling interests		133	71	287	138
		(164)	4,461	362	203
(Loss)/Earnings per share					
Basic	7	(HK0.13 cents)	HK0.77 cents	(HK0.11 cents)	HK0.10 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	61,756	62,635
Prepaid lease payments		9,668	9,630
Investment properties	9	10,700	10,700
Available-for-sale investment		5,885	4,469
Club debenture	10	560	560
Deposit for land use rights		670	660
Deposits paid for acquisition of property, plant and equipment		1,706	1,705
Other receivable		1,278	1,342
		92,223	91,701
CURRENT ASSETS			
Inventories		21,169	24,367
Trade and other receivables	11	63,197	63,072
Bank balances and cash		100,252	157,985
		184,618	245,424
CURRENT LIABILITIES			
Trade and other payables	12	75,963	135,979
Amounts due to directors		1,665	1,371
Taxation payable		26,852	25,856
		104,480	163,206
NET CURRENT ASSETS			
		80,138	82,218
		172,361	173,919
CAPITAL AND RESERVES			
Share capital		64,000	64,000
Reserves		107,051	108,896
Equity attributable to owners of the Company		171,051	172,896
Non-controlling interests		1,310	1,023
Total Equity		172,361	173,919

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share Capital	Merger Reserve	Translation Reserve	Retained Profits	Sub-total	Non- Controlling Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2012	64,000	680	11,622	92,288	168,590	697	169,287
Profit for the period	-	-	-	618	618	138	756
Other comprehensive expense	-	-	(553)	-	(553)	-	(553)
Total comprehensive (expense)/ income for the period	-	-	(553)	618	65	138	203
Dividend recognized as distribution	-	-	-	(960)	(960)	-	(960)
As at 30 June 2012	64,000	680	11,069	91,946	167,695	835	168,530
As at 1 January 2013	64,000	680	11,987	96,229	172,896	1,023	173,919
Loss for the period	-	-	-	(676)	(676)	287	(389)
Other comprehensive income	-	-	751	-	751	-	751
Total comprehensive (expense)/ income for the period	-	-	751	(676)	75	287	362
Dividend recognized as distribution	-	-	-	(1,920)	(1,920)	-	(1,920)
As at 30 June 2013	64,000	680	12,738	93,633	171,051	1,310	172,361

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(52,920)	30,764
NET CASH (USED IN) INVESTING ACTIVITIES	(2,921)	(3,592)
NET CASH (USED IN) FINANCING ACTIVITIES	(1,920)	(1,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	28	109
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(57,733)	26,281
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	157,985	131,704
CASH AND CASH EQUIVALENTS AT END OF PERIOD	100,252	157,985
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS represented by bank balances and cash	100,252	157,985

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 GEM Listing Rules 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 2012 (“the 2012 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 2012 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 determines its operating segments based on the reports regularly reviewed by the executive 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 resources 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 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue				
OEM customers	51,712	62,266	103,594	127,787
Retail distributors	16,446	13,963	29,170	27,258
	68,158	76,229	132,764	155,045
Segment Profit				
OEM customers	7,021	11,828	15,082	15,109
Retail distributors	626	2,171	1,425	3,800
	7,647	13,999	16,507	18,909
Other income	871	791	1,381	1,908
Unallocated expenses	(8,747)	(9,325)	(17,383)	(19,182)
(Loss)/Profit before taxation	(229)	5,465	505	1,635

4. SEGMENT INFORMATION (Continued)

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2013		2012		2013		2012	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Taiwan	13,339	19.6%	26,874	35.3%	24,745	18.6%	56,506	36.4%
Korea	23,498	34.5%	20,463	26.8%	48,741	36.7%	43,529	28.1%
Japan	18,211	26.7%	16,334	21.4%	35,602	26.8%	33,809	21.8%
United States of America ("U.S.A.")	12,405	18.2%	11,045	14.5%	21,337	16.1%	18,929	12.2%
Others	705	1.0%	1,513	2.0%	2,339	1.8%	2,272	1.5%
	68,158	100.0%	76,229	100.0%	132,764	100.0%	155,045	100.0%

5. (LOSS)/PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Depreciation and amortisation	1,924	2,368	3,908	5,094

6. INCOME TAX EXPENSES

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 profit 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 utilised.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss) per share for the three months and six months ended 30 June 2013 is based on the consolidated (loss) attributable to shareholders of approximately (HK\$816,000) and (HK\$676,000) respectively (consolidated profit attributable to shareholders for three months and six months ended 30 June 2012: HK\$4,947,000 and HK\$618,000 respectively) and on the number of 640,000,000 shares (2012: 640,000,000 shares) in issue.

No dilutive earnings per share has been presented for the Second Quarterly Period and Half-Yearly Period because there is no outstanding share options in the respective periods.

8. DIVIDEND

During the period, a dividend of HK0.30 cents per share (2012: HK0.15 cents) was paid to shareholders as the final dividend for 2013.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013. (six months ended 30 June 2012: nil).

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\$1,927,000 (six months ended 30 June 2012: HK\$1,567,000).

The investment properties were valued at HK\$10,700,000 on 31 December 2012 by Jointgoal Surveyors Limited, an independent qualified professional valuer not connected with the Group. Jointgoal Surveyors Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The Directors consider that the fair value of the investment properties as at 30 June 2013 was not significantly different from their carrying value as at 31 December 2012.

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 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 30 days	20,272	25,539
From 31 days to 120 days	35,801	51,624
From 121 days to 180 days	784	1,103
Over 180 days	306	49
	57,163	78,315
Other receivables	6,034	7,845
	63,197	86,160

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 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 30 days	9,170	12,699
From 31 days to 90 days	22,743	25,545
From 91 days to 150 days	11,726	20,115
Over 150 days	3,893	3,333
	47,532	61,692
Other payables	28,431	79,764
	75,963	141,456

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		Six months ended	
		30 June		30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Glory Mark Electronic Limited (incorporated in Republic of China) ("GM Taiwan")	Rentals paid	39	40	78	79
Billion Mass Limited ("Billion Mass")	Rentals paid	201	201	402	402
Yu Lan	Rental paid	31	-	62	-

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 and Billion Mass. Yu Lan is the spouse of Mr. Pang.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and profit

The Group recorded a revenue of approximately HKD132,764,000 for the six months ended 30 June 2013 (“the period under review”), representing a decrease of approximately 14.4% as compared to the last corresponding period (the six months ended 30 June 2012: approximately HKD155,045,000).

The loss attributable to Shareholders during the period under review was approximately HKD676,000 as compared to a profit of approximately HKD618,000 in the last corresponding period.

Revenue from OEM customers and retail distributors during the period under review were approximately HKD103.6 million and HKD29.2 million respectively (six months ended 30 June 2012: approximately HKD127.8 million and HKD27.3 million respectively).

Revenue from Korea, Japan, USA and the other regions increased by 12.0%, 5.3%, 12.7% and 2.9% respectively and revenue from Taiwan decreased by 56.2%.

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 June 2013, the Group’s net current assets, cash and bank balances and shareholders’ funds amounted to approximately HK\$80.1 million, HK\$100.3 million and HK\$171.1 million (31 December 2012: HK\$82.2 million, HK\$158.0 million and HK\$172.9 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.77 (31 December 2012: 1.50).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation review

Employees

As at 30 June 2013, the Group had 1,245 (30 June 2012: 1,835) employees. Employee remuneration, excluding directors' emoluments, for the six months ended 30 June 2013 was approximately HK\$30.4 million (six months ended 30 June 2012: HK\$29.5 million). The decrease in employee remuneration during the period under review was in line with the change in revenue of the Group during the two periods though of increase in wage rates in China.

The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which is reviewed annually. The Company had granted options to its employees prior to its listing.

OUTLOOK

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 June 2013, 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 Future Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by the Exchange (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 June 2013.

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 30 June 2013, 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 2013. 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 June 2013:

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 six months ended 30 June 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 six months ended 30 June 2013, 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\$78,000 (2012: HK\$79,000) to San Chen Company in which Mr. Pang holds 42.75% equity interest and can exercise significant influence in it.

Save 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 complied throughout the six months period ended 30 June 2013 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 interim 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 six months ended 30 June 2013.

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
12 August 2013

As at the date of this report, the board comprises Messrs. Pang Kuo-Shi also known as Steve Pang, Wong Chu and Hsia Chieh-Wen also known as Paul Hsia 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.