



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159



FIRST QUARTERLY REPORT
2014

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report

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 announcement 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 ended 31 March 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

For the three months ended 31 March 2014

		Three months ended 31 March	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Notes		
Revenue	3	72,943	64,606
Cost of sales		(62,621)	(55,746)
Gross profit		10,322	8,860
Other income		965	510
Selling and distribution expenses		(2,332)	(2,414)
Administrative expenses		(7,050)	(6,222)
Profit before taxation	5	1,905	734
Taxation	6	(452)	(440)
Profit for the period		1,453	294
Other comprehensive (expenses)/ income for the period:			
Exchange differences arising from translation of foreign operations		(789)	232
Total comprehensive income for the period		664	526
Profit for the period attributable to:			
– Equity holders of the Company		1,308	140
– Non-controlling interests		145	154
		1,453	294
Total comprehensive income attributable to:			
– Equity holders of the Company		519	372
– Non-controlling interests		145	154
		664	526
Earnings per share			
Basic	8	HK0.20 cents	HK0.02 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 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 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 2013 ("the 2013 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 2013 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:

Information about major customers

	Three months ended 31 March			
	2014		2013	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	54,897	75.3	51,882	80.3
Retail distributors	18,046	24.7	12,724	19.7
	72,943	100.0	64,606	100.0

Geographical information

Sales analysis by geographical customer market:–

	Three months ended 31 March			
	2014		2013	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Korea	23,796	32.6%	25,243	39.1%
Taiwan	22,658	31.1%	11,406	17.7%
Japan	20,807	28.5%	17,391	26.9%
The United States of America (the “USA”)	4,479	6.1%	8,932	13.8%
Others	1,203	1.7%	1,634	2.5%
	72,943	100.0%	64,606	100.0%

5. PROFIT BEFORE TAXATION

Profit from operations has been arrived at after charging:–

	Three months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation	1,767	1,984

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 interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013 – nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2014 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$1,308,000 (for the three months ended 31 March 2013 – Profit: HK\$140,000) and on the weighted average number of 640,000,000 shares (for the three months ended 31 March 2013 – 640,000,000 shares).

9. RELATED PARTY AND CONNECTED 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	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Billion Mass Limited ("Billion Mass")	Rental paid	258	201
Glory Mark Electronic Limited ("GM (Taiwan)") (incorporated in Taiwan)	Rental paid	38	39
San Chen Company ("San Chen")	Rental paid	38	39
Yu Lan	Rental paid	31	31

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. San Chen is 42.75% owned by Mr. Pang Kuo-Shi and Yu Lan is the spouse of Mr. Pang Kuo-Shi. All the above related parties are also connected persons as defined under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange that constitute connected transactions.

10. RESERVES

There was no movement in reserves of the Group during the three months ended 31 March 2014 other than profit attributable to shareholders of approximately HK\$1,308,000 (for the three months ended 31 March 2013 – Profit of approximately HK\$140,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Period under Review

Revenue and loss

The Group recorded a revenue of approximately HK\$72,943,000 for the three months ended 31 March 2014, representing an increase of approximately 12.9% as compared to the last corresponding period (three months ended 31 March 2013: approximately HK\$64,606,000).

Revenue from OEM customers and retail distributors during the period under review were approximately HK\$54.9 million and HK\$18.0 million respectively, increased by approximately 5.8% and 41.8% respectively as compared to last corresponding period.

Revenue from Taiwan and Japan regions increased by approximately 98.6% and 19.6% respectively as compared to the last corresponding period. Revenue from Korea, U.S.A. and the other regions decreased by approximately 5.7%, 49.9% and 26.4% respectively.

Gross profit margin was 14.2% for the three months ended 31 March 2014 (three months ended 31 March 2013: 13.7%). During the period under review, the wages in PRC was significantly up-ticked as compared to the last corresponding period. The improvement of gross profit margin under this unfavourable condition was mainly due to the launching of some higher value-added products in the period.

Other income

Other income was approximately HK\$965,000 for the three months ended 31 March 2014 (three months ended 31 March 2013: approximately HK\$510,000)

Selling and distribution expenses

Selling and distribution expenses were approximately HK\$2,332,000 for the three months ended 31 March 2014 (three months ended 31 March 2013: approximately HK\$2,414,000). The decrease of selling and distribution expenses was mainly due to the tight control of sample expenses.

Administrative expenses

Administrative expenses were approximately HK\$7,050,000 for the three months ended 31 March 2014 (three months ended 31 March 2013: approximately HK\$6,222,000), representing an increase of approximately HK\$828,000 during the period. The increase of administrative expenses was mainly due to an exchange loss in renminbi of approximately HK\$830,000 as of 31 March 2014. The Group had renminbi on hand of approximately RMB26,849,000 as at 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial cost

The Group did not incur any financial cost during the both periods of the three months ended 31 March 2014 and 2013.

Income tax expenses

The Group recorded income tax expenses of approximately HK\$452,000 for the three months ended 31 March 2014 (three months ended 31 March 2013: approximately HK\$440,000).

Profit for the period attributable to owners of the Company

The Group recorded a profit attributable to shareholders of approximately HK\$1,308,000 (three months ended 31 March 2013: HK\$140,000).

Liquidity and financial resources

The Group continues to maintain a strong financial position. As at 31 March 2014, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$84.0 million, HK\$90.1 million and HK\$176.5 million respectively (31 December 2013: HK\$84.0 million, HK\$95.5 million and HK\$176.0 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.81 (31 December 2013: 1.72). The Group had no interest bearing borrowing at 31 March 2014 (31 December 2013: Nil).

Outlook

It is anticipated that the weak economic recovery in Western countries and the significant up-tick in wages in PRC will continue to weigh on the results of the Group in coming seasons.

Having considered all the situations, the Directors maintain a conservative view as to the results of the Group in the coming quarters.

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

As at 31 March 2014, 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. Pang Kuo-Shi (Note)	Interest of corporation controlled by the director	279,616,000	43.69%
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%

Note: Mr. Pang Kuo-Shi is deemed to be interested in 279,616,000 shares held by Modern Wealth Assets Limited, a company wholly owned by Mr. Pang Kuo-Shi.

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 2014.

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 cannot 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 cannot 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.

SHARE OPTION SCHEME *(continued)*

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option. Options may be exercised at any time from the thirteenth month from the date of grant 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 option was granted under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period ended 31 March 2014.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, there was no substantial shareholder registered in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, who has a notifiable interest or short positions in the issued share capital of the Company as at 31 March 2014.

CORPORATE GOVERNANCE

The Company complied throughout the three months period ended 31 March 2014 with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, save as the following:–

- (i) Code provision A.4.1 provides that non-executive Directors should be appointed for specific term, subject to reelection. The Company deviated from this provision in that Dr. Lui Ming Wah and Mr. Lau Ho Kit, Ivan, all being 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.
- (ii) Code provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Given that the members of the nomination committee consider that the current composition allows the Board to perform its function efficiently, the nomination committee has yet adopted a diversity policy. The nomination committee will adopt such a policy and set measurable objectives therefor in year 2014 with an aim to evaluate the optimal composition of the Board.

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 2014, 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 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, who are all 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 the Company's shares during the three months ended 31 March 2014.

On behalf of the Board
Pang Kuo-Shi
Chairman

Hong Kong Special Administrative Region of the PRC
14 May 2014

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