



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8159



THIRD 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.

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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 and nine months ended 30 September 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

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

For the three months and nine months ended 30 September 2014 respectively

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	79,591	70,433	222,331	203,197
Cost of sales		(70,831)	(61,675)	(195,852)	(177,932)
Gross profit		8,760	8,758	26,479	25,265
Other income		1,001	1,119	2,756	2,500
Selling and distribution expenses		(2,706)	(2,365)	(7,478)	(7,180)
Administrative expenses		(6,163)	(6,315)	(19,051)	(18,883)
Profit before taxation	5	892	1,197	2,706	1,702
Income tax expense	6	(450)	(447)	(1,308)	(1,341)
Profit for the period		442	750	1,398	361
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operations		252	125	(814)	876
Total comprehensive income for the period		694	875	584	1,237
Profit for the period attributable to:					
– Owners of the Company		285	1,049	1,005	373
– Non-controlling interests		157	(299)	393	(12)
		442	750	1,398	361
Total comprehensive income attributable to:					
– Owners of the Company		537	1,165	191	1,240
– Non-controlling interests		157	(290)	393	(3)
		694	875	584	1,237
Earnings per share					
Basic	8	HK0.04 cents	HK0.16cents	HK0.16 cents	HK0.06cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2014*

	Share Capital HK\$'000 (Unaudited)	Merger Reserve HK\$'000 (Unaudited)	Translation Reserve HK\$'000 (Unaudited)	Retained Profits HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Non- controlling Interest HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2013	64,000	680	11,987	96,229	172,896	1,023	173,919
Profit for the period	–	–	–	373	373	(12)	361
Other comprehensive income for the period	–	–	867	–	867	9	876
Total comprehensive income/ (expenses) for the period	–	–	867	373	1,240	(3)	1,237
Dividend recognized as distribution	–	–	–	(1,920)	(1,920)	–	(1,920)
At 30 September 2013	64,000	680	12,854	94,682	172,216	1,020	173,236
At 1 January 2014	64,000	680	13,567	97,769	176,016	1,118	177,134
Profit for the period	–	–	–	1,005	1,005	393	1,398
Other comprehensive expenses for the period	–	–	(814)	–	(814)	–	(814)
Total comprehensive income/ (expense) for the period	–	–	(814)	1,005	191	393	584
Dividend recognized as distribution	–	–	–	(1,920)	(1,920)	–	(1,920)
At 30 September 2014	64,000	680	12,753	96,854	174,287	1,511	175,798

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 2013 (“the 2013 Financial Statements”), except for the amendments and interpretations of HKFRSs (“New HKFRSs”) issued by HKICPA, which have become effective in this period and summarised in notes of the 2013 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies on the Group’s condensed consolidated financial statements for the period under review.

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 September				Nine months ended 30 September			
	2014 HK\$'000 (Unaudited)	%	2013 HK\$'000 (Unaudited)	%	2014 HK\$'000 (Unaudited)	%	2013 HK\$'000 (Unaudited)	%
OEM customers	66,852	84.0%	60,055	85.3%	173,901	78.2%	163,649	80.5%
Retail distributors	12,739	16.0%	10,378	14.7%	48,430	21.8%	39,548	19.5%
	79,591	100.0%	70,433	100.0%	222,331	100.0%	203,197	100.0%

Geographical segments

Sales analysis by geographical customer market:–

	Three months ended 30 September				Nine months ended 30 September			
	2014 HK\$'000 (Unaudited)	%	2013 HK\$'000 (Unaudited)	%	2014 HK\$'000 (Unaudited)	%	2013 HK\$'000 (Unaudited)	%
Korea	31,509	39.6%	27,173	38.6%	78,538	35.3%	75,914	37.4%
Taiwan	24,094	30.3%	15,260	21.7%	58,963	26.5%	40,005	19.7%
Japan	13,185	16.6%	12,498	17.7%	53,888	24.2%	48,100	23.7%
United States of America ("USA")	9,203	11.5%	12,725	18.1%	27,481	12.4%	34,062	16.7%
Others	1,600	2.0%	2,777	3.9%	3,461	1.6%	5,116	2.5%
	79,591	100.0%	70,433	100.0%	222,331	100.0%	203,197	100.0%

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Depreciation and amortisation	1,763	1,398	5,316	5,306

6. INCOME TAX EXPENSE

The taxation provided represents the People's Republic of China 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 differences arising during the period and at the date of Statement of Financial Position.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2014 is based on the consolidated profit attributable to shareholders of approximately HK\$285,000 and HK\$1,005,000 respectively (three months and nine months ended 30 September 2013: profit: HK\$1,049,000 and HK\$373,000 respectively) and on the number of 640,000,000 shares (2013: 640,000,000 shares) in issue.

No dilutive earnings per share has been presented for the three months and nine months ended 30 September 2014 because there were no outstanding share options in the respective periods.

9. RELATED PARTY AND CONNECTED TRANSACTIONS

During the periods, the Group entered into the following transactions with related and connected parties:

Name	Nature of transactions	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Billion Mass Limited ("Billion Mass")	Rentals paid	258	201	774	603
Glory Mark Electronic Limited ("GM (Taiwan)") (incorporated in Taiwan)	Rental paid	39	39	116	117
San Chen Company ("San Chen")	Rental paid	39	39	116	117
Yu Lan	Rental paid	31	32	93	94

Note:

Mr. Pang Kuo-Shi ("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 Kuo-Shi holds 42.75% equity interest in San Chen and Yu Lan is the spouse of Mr. Pang.

MANAGEMENT DISCUSSION AND ANALYSIS

PERIOD IN REVIEW

Revenue and profit

The Group recorded a revenue of approximately HK\$222,331,000 for the nine months ended 30 September 2014 ("the period under review"), representing an increase of approximately 9.42% as compared to the last corresponding period (nine months ended 30 September 2013: approximately HK\$203,197,000).

The profit attributable to Shareholders for the nine months ended 30 September 2014 was approximately HK\$1,005,000 as compared to a profit of approximately HK\$373,000 in the last corresponding period.

Revenue from OEM customers and retail distributors for the nine months ended 30 September 2014 were approximately HK\$173.9 million and HK\$48.4 million respectively, increased by 6.3% and 22.5% respectively when compared to the last corresponding period.

In terms of geographical segment analysis, revenue from Korea, Taiwan and Japan increased by 3.5%, 47.4% and 12.0% respectively. Revenue from USA and the other regions decreased by 19.3% and 32.3% respectively.

Other income

Other income increased by 1.1% to approximately HK\$2,756,000, as compared to the amount of HK\$2,500,000 as recorded in the last corresponding period.

Selling and distribution expenses

Selling and distribution expenses was approximately HK\$7,478,000, as compared to the amount of HK\$7,180,000 as recorded in the last corresponding period, the increase of the expenses was approximately in line with the increase in revenue during the period under review.

Administrative expenses

The administrative expenses was approximately HK\$19,051,000 for the nine months ended 30 September 2014, which was approximately the same as the figure for the nine months ended 30 September 2013: HK\$18,883,000.

Financial cost

The Group did not incur any financial cost for both periods ended 30 September 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Income tax expenses

The Group incurred income tax expenses of approximately HK\$1,308,000 during the nine months ended 30 September 2014 (nine months ended 30 September 2013: HK\$1,341,000).

Profit for the period attributable to Owners of the Company

Profit for the nine months ended 30 September 2014 was approximately HK\$1,005,000 (nine months ended 30 September 2013: HK\$373,000).

Liquidity and financial resources

As at 30 September 2014, the Group's net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK\$82.6 million, HK\$96.1 million and HK\$174.3 million (31 December 2013: HK\$84.0 million, HK\$95.5 million and HK\$176.0 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.72 (31 December 2013: 1.72). The Group had no interest bearing debt as at 30 September 2014 (31 December 2013: nil).

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 the effect of 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, the interests and short positions of the Directors and the chief executives in the shares and underlying shares of the Company or its associate corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, 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 GEM Listing Rules and Divisions 7 and 8 of Part XV of the SFO, were as follows:

Ordinary shares of HK\$0.1 each of the Company

Name	Nature of Interest	Number of Issued Ordinary Shares held	Approximate Percentage of Issued share capital of the Company
Mr. Pang Kuo-Shi (Note)	Interest of controlled corporation	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 (within the meaning of Part XV of the SFO) which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, 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 GEM Listing Rules and Divisions 7 and 8 of Part XV of the SFO as at 30 September 2014.

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 2014, 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 for 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, no person in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance was disclosed as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2014.

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 2014, 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 2014, none of the Directors or the controlling 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 complied throughout the nine months period ended 30 September 2014 with the code provisions in the Corporate Governance Code 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, both being non-executive Directors of the Company, were not appointed for a 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 the non-executive Directors have already given the Company's shareholders the right to approve the 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 in the second half of 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.

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 have 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 2014.

On behalf of the Board

Pang Kuo-Shi

Chairman

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

10 November 2014

As at the date of this report, the board 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, S.B.S., JP, Mr. Wong Kwong Chi and Mr. Lau Ho Kit, Ivan being Independent Non-Executive Directors.