



GLORY MARK HI-TECH (HOLDINGS) LIMITED

Incorporated in the Cayman Islands and composed in Bermuda with limited liability

Stock Code: 8155



FIRST QUARTERLY REPORT 2016

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.

The Board of Directors of Glory Mark Hi-Tech (Holdings) Limited (the "Company") hereby announces 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 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

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

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	63,759	64,198
Cost of sales		(57,125)	(59,418)
Gross profit		6,634	4,780
Other income		490	639
Selling and distribution expenses		(2,353)	(2,615)
Administrative expenses		(7,805)	(6,131)
(Loss) before taxation	5	(3,034)	(3,327)
Income tax expense	6	(412)	(462)
(Loss) for the period		(3,446)	(3,789)
Other comprehensive income/(expenses) for the period:			
Exchange differences arising from translation of foreign operations		597	(836)
Total comprehensive (expenses) for the period		(2,849)	(4,625)
(Loss)/Profit for the period attributable to:			
– Equity holders of the Company		(2,801)	(3,903)
– Non-controlling interests		(645)	114
		(3,446)	(3,789)
Total comprehensive (expenses)/income attributable to:			
– Equity holders of the Company		(2,204)	(4,739)
– Non-controlling interests		(645)	114
		(2,849)	(4,625)
(Loss) per share			
Basic	8	HK(0.44) cents	HK(0.61) cents

Notes:

1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company is listed on the GEM on 4 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report for the year ended 31 December 2015.

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-month 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 2015 ("the 2015 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 2015 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 equipment 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			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
OEM customers	47,610	74.7	49,356	76.9
Retail distributors	16,149	25.3	14,842	23.1
	63,759	100.0	64,198	100.0

Geographical information

Sales analysis by geographical customer market:–

	Three months ended 31 March			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
Korea	28,071	44.1	27,767	43.3
Taiwan	13,095	20.5	13,357	20.8
Japan	13,765	21.6	14,829	23.1
The United States of America (the “USA”)	6,312	9.9	4,446	6.9
Others	2,516	3.9	3,799	5.9
	63,759	100.0	64,198	100.0

5. (LOSS) BEFORE TAXATION

(Loss) from operations has been arrived at after charging:–

	Three months ended 31 March	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation and amortisation	1,749	1,849

6. INCOME TAX EXPENSE

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 an interim dividend for the three months ended 31 March 2016 (three months ended 31 March 2015 – nil).

8. (LOSS) PER SHARE

The calculation of basic profit per share for the three months ended 31 March 2016 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$2,801,000 (for the three months ended 31 March 2015 – Loss: HK\$3,903,000) and on the weighted average number of 640,000,000 shares (for the three months ended 31 March 2015 – 640,000,000 shares).

9. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended 31 March	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Billion Mass Limited ("Billion Mass")	Rental paid	258	258
Glory Mark Electronic Limited ("GM (Taiwan)") (incorporated in Taiwan)	Rental paid	35	37
San Chen Company ("San Chen")	Rental paid	35	37
Yu Lan	Rental paid	28	30

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 constitutes connected transactions.

10. RESERVES

There was no movement in reserves of the group during the three months ended 31 March 2016 other than loss attributable to shareholders of approximately HK\$2,801,000 (for the three months ended 31 March 2015 – Loss of approximately HK\$3,903,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is engaged in design, manufacture and sale of connectivity products mainly for computers, computer peripheral products, multi-media consumable electronic products, communication products, automobile electronics accessories, wire harness and medical equipment. The Group is one of the leading VGA cables manufacturers in the world.

Benefit from some higher value-added products launched by the Group and the depreciation of Renminbi, the gross profit ratio of the Group during the discussion period increased by approximately 2.9% as compared with the last corresponding period.

The Group will make full use of these favourable factors and continue to exercise careful cost controls to withstand the sluggish global demand.

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

Financial Review

Revenue and gross profit

For the three months ended 31 March 2016, the Group recorded a consolidated turnover of approximately HK\$63.9 million (three months end 31 March 2015: approximately HK\$64.2 million), representing a slightly decrease of approximately 0.5% as compared to the corresponding previous period.

Revenue to OEM customers recorded approximately HK\$47.6 million, representing a slightly decrease of 3.5% as compared with the last corresponding period. Revenue to retail distributors recorded approximately HK\$16.1 million, representing an increase of 8.8%. In terms of geographical segments analysis, the turnover to Korea and U.S.A increased by 1.1% and 42.0%, respectively, whereas the turnover to Taiwan, Japan and the other regions decreased by 2.0%, 7.2% and 33.8% respectively as compared with the last corresponding period.

Gross profit margin was 10.4% for the three months ended 31 March 2016 as compared to 7.5% in the last comparative period. The improvement in gross profit margin was mainly due to the launching of higher-value added products and the depreciation of Renminbi during the discussion period.

Other income

Other income was approximately HK\$0.5 million for the three months ended 31 March 2016, as compared to the amount of HK\$0.6 million as recorded in the last comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Selling and distribution expenses

Selling and distribution expenses were approximately HK\$2.4 million for the three months ended 31 March 2016, as compared to the amount of HK\$2.6 million as recorded in the last comparative period. The decrease in selling and distribution expenses was attributable to the decrease in sample charges.

Administrative expenses

Administrative expenses was approximately HK\$7.8 million for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$6.1 million). The increase in administrative expenses was mainly attributable to the increase in legal and professional expenses during the discussion period.

Finance cost

The Group did not incur any finance cost in both the three months ended 31 March 2016 and 2015.

Income tax expenses

The Group recorded an income tax expense of approximately HK\$0.4 million for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$0.5 million).

Loss for the year attributable to owners of the Company

Loss for the three months ended 31 March 2016 attributable to owners of the Company was approximately HK\$2.8 million (three months ended 31 March 2015: Loss of approximately HK\$3.9 million).

YEAR IN REVIEW

Liquidity and Financial Resources

The Group continues to maintain a strong financial position. As at 31 March 2016, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$69.7 million, HK\$94.8 million and HK\$150.0 million respectively (31 December 2015: HK\$72.0 million, HK\$91.7 million and HK\$152.2 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.64 (31 December 2015: 1.65). The Group had no interest bearing borrowing at 31 March 2016 (31 December 2015: Nil).

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

As at 31 March 2016, the interests and short positions of the Directors, the chief executive and their respective associates in the shares and underlying shares of the Company or its associated corporations (with 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 dealings 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\$0.01 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	Interest of controlled corporation	279,616,000	43.69%
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	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 respective 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 31 March 2016.

SHARE OPTION SCHEME

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.

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 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares” above, no person in the registered or substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance was disclosed as having a notifiable interest or short positions in the issued share capital of the Company as at 31 March 2016.

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 three months ended 31 March 2016, they had complied with the required standards of dealings and the Company’s code of conduct regarding directors’ securities transactions.

INTERESTS IN COMPETITORS

During the three months ended 31 March 2016, 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws, or the laws of Cayman Islands and Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

CORPORATE GOVERNANCE

The Company complied throughout the three months period ended 31 March 2016 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, 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 in the soonest later 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.

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. 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 2016.

On behalf of the Board
Pang Kuo-Shi
Chairman

Hong Kong
12 May 2016

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.