



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8159



FIRST QUARTERLY REPORT
2017

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 Glory Mark Hi-Tech (Holdings) Limited (the “Company”, together with its subsidiaries the “Group”) 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 the Company (the “Board”) hereby announces the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2017 (the “Quarter”) together with the comparative unaudited figures for the corresponding period in 2016 as follows:

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

		Three months ended 31 March	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	3	87,453	63,759
Cost of sales		(75,064)	(57,125)
Gross profit		12,389	6,634
Other income		900	490
Selling and distribution expenses		(3,365)	(2,353)
Administrative expenses		(6,270)	(7,805)
Profit/(Loss) before taxation	5	3,654	(3,034)
Income tax expense	6	(567)	(412)
Profit/(Loss) for the period		3,087	(3,446)
Other comprehensive income/			
(expenses) for the period:			
Exchange differences arising from translation of foreign operations		1,089	597
Total comprehensive income/(expenses) for the period		4,176	(2,849)
Profit/(Loss) for the period attributable to:			
– Equity holders of the Company		2,918	(2,801)
– Non-controlling interests		169	(645)
		3,087	(3,446)
Total comprehensive income/(expenses) attributable to:			
– Equity holders of the Company		4,007	(2,204)
– Non-controlling interests		169	(645)
		4,176	(2,849)
Earnings/(Loss) per share			
Basic	8	HK0.46 cents	HK(0.44) 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 2016.

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 GEM of 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 2016 ("the 2016 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 2016 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 Quarter.

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			
	2017		2016	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
OEM customers	66,542	76.1	47,610	74.7
Retail distributors	20,911	23.9	16,149	25.3
	87,453	100	63,759	100.0

Geographical information

Sales analysis by geographical customer market:–

	Three months ended 31 March			
	2017		2016	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Korea	38,130	43.6	28,071	44.1
Taiwan	16,966	19.4	13,095	20.5
Japan	21,038	24.1	13,765	21.6
The United States of America (the "USA")	8,830	10.1	6,312	9.9
Others	2,489	2.8	2,516	3.9
	87,453	100.0	63,759	100.0

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation	1,598	1,749

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 Quarter.

No provision for deferred taxation has been made in the financial statements as there was no material timing difference arising during the Quarter 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 2017 (three months ended 31 March 2016 – nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2017 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$2,918,000 (for the three months ended 31 March 2016 – Loss: HK\$2,801,000) and on the weighted average number of 640,000,000 shares (for the three months ended 31 March 2016 – 640,000,000 shares).

9. RELATED PARTY AND CONNECTED TRANSACTIONS

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

Name of related party	Nature of transactions	Three months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Billion Mass Limited ("Billion Mass")	Rental paid	258	258
Glory Mark Electronic Limited ("GM (Taiwan)") (incorporated in Taiwan)	Rental paid	38	35
San Chen Company ("San Chen")	Rental paid	38	35
Yu Lan	Rental paid	30	25

Mr. Pang Kuo-Shi and Mr. Wong Chun, directors and shareholders of the Company, Mr. Hsia Chieh Wen, shareholder 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 Quarter other than profit attributable to shareholders of approximately HK\$2,918,000 (for the three months ended 31 March 2016 – Loss of approximately HK\$2,801,000).

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.

Benefited by the Group's launched some higher value-added products and the depreciation of Renminbi, the gross profit ratio of the Group during the Quarter increased by approximately 3.8% 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

The Group recorded a turnover of HK\$87,453,000 for the Quarter (three months ended 31 March 2016: HK\$63,759,000), representing an increase of 37.2%.

Revenue to OEM customers recorded approximately HK\$66,542,000, representing an increase of approximately 39.8% as compared with the last corresponding period. Revenue to retail distributors recorded approximately HK\$20,911,000, representing an increase of 29.5%. In terms of geographical segments analysis, the revenue to Korea, Taiwan, Japan and U.S.A increased by 35.8%, 29.6%, 52.8% and 39.9% respectively as compared with the last corresponding period whereas revenue in the other regions decreased by 1.1%.

Gross profit

Benefited by the depreciation of Renminbi, the stability of wages raise in PRC and the launching of higher value-added products, the Group managed to obtain a gross profit of HK\$12,389,000 in the Quarter, up 86.8% as compared with the last corresponding period.

Other income

Other income was approximately HK\$900,000 for the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$490,000). The increase was mainly attributable to the increase in rental income.

Selling and distribution expenses

Selling and distribution expenses were approximately HK\$3,365,000 for the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$2,353,000), which was in line with the increase in the turnover.

Administrative expenses

Administrative expenses was approximately HK\$6,270,000 for the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$7,805,000). The decrease in administrative expenses was mainly attributable to the decrease in staff bonus and legal and professional expenses during the discussion period.

Finance cost

The Group did not incur any financial cost in both the three months ended 31 March 2017 and 2016.

Income tax expenses

The Group recorded an income tax expense of approximately HK\$567,000 for the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$412,000).

Profit / (Loss) for the period attributable to owners of the Company

The Group recorded a profit after tax for the shareholders in the Quarter amounted to HK\$2,918,000 (three months ended 31 March 2016: loss of HK\$2,801,000).

YEAR IN REVIEW

Liquidity and Financial Resources

The Group continues to maintain a strong financial position. As at 31 March 2017, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$18,018,000, HK\$45,943,000 and HK\$92,551,000 respectively (31 December 2016: HK\$13,592,000, HK\$43,031,000 and HK\$88,543,000 respectively). The current ratio, expressed at current assets over current liabilities, was 1.14 (31 December 2016: 1.10). The Group had no interest bearing borrowing at 31 March 2017 (31 December 2016: Nil).

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

As at 31 March 2017, the interests and short positions of the Directors, the chief executive and their 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. Wang Li Feng ("Mr. Wang") (Note 1)	Interest of controlled corporation	355,620,000	55.57%
Mr. Pang Kuo-Shi (Note 2)	Interest of controlled corporation	74,403,000	11.63%
Mr. Wong Chun	Beneficial owner	31,390,000	4.90%

Note:

- The 355,620,000 shares are held by PT Design Group Holdings Limited ("PT Design"). PT Design is held by Wise Thinker Holdings Limited (which is wholly owned by Mr. Wang, the chairman and an executive Director) as to approximately 63.28%, Zhao Li Holdings Limited (which is wholly owned by Mr. Kong Lixing, an executive Director) as to approximately 12.50%, Jin Hong Tai Holdings Limited (which is wholly owned by Mr. Dong Jianqiang, an executive Director) as to approximately 12.22%, Atelier Urbaneer Limited (which is wholly owned by Mr. Zhao Guo Xing, an executive Director) as to 7% and Nexterm Holdings Limited (which is wholly owned by Mr. He Yongyi, an executive Director) as to 5%.
- Mr. Pang Kuo-Shi is deemed to be interested in 74,403,000 shares held by Modern Wealth Assets Limited, a company wholly owned by Mr. Pang Kuo-Shi.

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Other than as disclosed above, none of the directors, chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 March 2017.

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 Quarter.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the Quarter 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 Quarter.

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 of 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 2017.

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 Quarter, 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 Quarter, none of the Directors or the controlling shareholders or their respective close 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 continued in 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 Quarter.

CORPORATE GOVERNANCE

Save as disclosed below, the Company complied throughout the Quarter with the code provisions in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules.

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. 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 four members namely, Mr. Lau Ho Kit, Ivan (Chairman), Mr. Liu Ping Chun, Dr. Hon. Lo Wai Kwok SBS, MH, JP and Dr. Zhu Wenhui, 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 Quarter.

On behalf of the Board

Wang Li Feng

Chairman

Hong Kong
12 May 2017

As at the date of this report, the Board comprises Mr. Wang Li Feng, Mr. Kong Lixing, Mr. Dong Jianqiang, Mr. Zhao Guo Xing, Mr. He Yongyi, Mr. Pang Kuo-Shi also known as Steve Pang and Mr. Wong Chun being executive directors and Mr. Liu Ping Chun, Mr. Lau Ho Kit, Ivan, Dr. Hon. Lo Wai Kwok, SBS, MH, JP and Dr. Zhu Wenhui being independent non-executive directors.