



GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

THIRD 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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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 Directors are 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 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

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

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	113,647	97,162	293,384	235,994
Cost of sales		(97,034)	(83,936)	(250,024)	(206,749)
Gross profit		16,613	13,226	43,360	29,245
Other income		853	894	2,945	2,108
Selling and distribution expenses		(2,888)	(2,948)	(9,157)	(8,343)
Administrative expenses		(8,051)	(9,922)	(21,189)	(26,702)
Profit/(Loss) before taxation	5	6,527	1,250	15,959	(3,692)
Income tax expense	6	(796)	(898)	(2,015)	(1,899)
Profit/(Loss) for the period		5,731	352	13,944	(5,591)
Other comprehensive income for the period:					
Exchange differences arising from translation of foreign operations		185	386	1,720	274
Total comprehensive income/(expense) for the period		5,916	738	15,664	(5,317)
Profit/(Loss) for the period attributable to:					
– Owners of the Company		5,469	383	13,330	(4,999)
– Non-controlling interests		262	(31)	614	(592)
		5,731	352	13,944	(5,591)
Total comprehensive income/(expense) attributable to:					
– Owners of the Company		5,654	769	15,050	(4,725)
– Non-controlling interests		262	(31)	614	(592)
		5,916	738	15,664	(5,317)
Earnings/(Loss) per share					
Basic	8	HK0.85 cents	HK0.06 cents	HK2.08 cents	HK(0.78) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share Capital	Merger Reserve	Translation Reserve	Contributed Surplus	Retained Profits	Total	Non-controlling Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2016	64,000	680	9,885	-	77,636	152,201	1,176	153,377
Loss for the period	-	-	-	-	(4,999)	(4,999)	(592)	(5,591)
Capital reductions	(57,600)			57,600				
Other comprehensive income for the period	-	-	274	-	-	274	-	274
Total comprehensive income/ (expense) for the period	(57,600)	-	274	57,600	(4,999)	(4,725)	(592)	(5,317)
Dividend recognized as distribution	-	-	-	-	(65,920)	(65,920)	-	(65,920)
At 30 September 2016	6,400	680	10,159	57,600	6,717	81,556	584	82,140
At 1 January 2017	6,400	680	9,194	-	72,269	88,543	703	89,246
Profit for the period	-	-	-	-	13,330	13,330	614	13,944
Other comprehensive income for the period	-	-	1,720	-	-	1,720	-	1,720
Total comprehensive income for the period	6,400	680	1,720	-	13,330	15,050	614	15,664
Dividend recognized as distribution	-	-	-	-	(1,920)	(1,920)	-	(1,920)
At 30 September 2017	6,400	680	10,914	-	83,679	101,673	1,317	102,990

Notes:

1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability.

The Company acts as an investment holding company.

The unaudited three months and 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 2016 (“**the 2016 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 2016 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 equipment and provision of masterplanning and architectural design 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**”), retail distributors and provision of masterplanning and architectural design. The provision of masterplanning and architectural design business were newly developed by the Group during the nine months ended 30 September 2017 and revenue was recognised during the three months ended 30 September 2017.

Business segments

	Three months ended 30 September				Nine months ended 30 September			
	2017		2016		2017		2016	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	77,949	68.6%	79,754	82.1%	200,640	68.4%	180,486	76.5%
Retail distributors	22,065	19.4%	17,408	17.9%	79,111	27.0%	55,508	23.5%
Masterplanning and architectural design	13,633	12.0%	-	-	13,633	4.6%	-	-
	113,647	100.0%	97,162	100.0%	293,384	100.0%	235,994	100.0%

Sales analysis by geographical customer market:-

	Three months ended 30 September				Nine months ended 30 September			
	2017		2016		2017		2016	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Korea	46,365	40.8%	56,632	58.3%	125,719	42.9%	120,234	50.9%
Taiwan	12,358	10.9%	19,031	19.6%	35,793	12.2%	43,466	18.4%
Japan	15,080	13.3%	14,142	14.5%	58,249	19.8%	47,107	20.0%
USA	23,182	20.4%	4,747	4.9%	44,371	15.1%	15,994	6.8%
PRC	14,133	12.4%	120	0.1%	15,178	5.2%	179	0.1%
Others	2,529	2.2%	2,490	2.6%	14,074	4.8%	9,014	3.8%
	113,647	100.0%	97,162	100.0%	293,384	100.0%	235,994	100.0%

5. PROFIT/(LOSS) BEFORE TAXATION

Profit before taxation has been arrived at after charging:–

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation and amortisation	1,724	1,677	4,976	5,175

6. INCOME TAX EXPENSE

The taxation provided represents PRC enterprise income tax, which is calculated at the rates prevailing.

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 were no material timing differences arising during the period and at the balance sheet date.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30 September 2017 is based on the consolidated profit attributable to shareholders of approximately HK\$5,469,000 and HK\$13,330,000 respectively (three months and nine months ended 30 September 2016: profit:- HK\$383,000 and (loss):-HK\$(4,999,000) respectively) and on the number of 640,000,000 shares (2016: 640,000,000 shares) in issue.

No dilutive earning/(loss) per share has been presented for the three months and nine months ended 30 September 2017 because there were no outstanding share options in the respective periods.

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.

During the nine months ended 30 September 2017, the Group launched some higher value-added products such as USB3.1 type C products and succeeded in soliciting several new valuable OEM customers and retail distributors to improve its revenue and profit. In order to launch more higher value-added products, the Group will improve its ability of forecasting the future trend of technology and distributing products that are largely demanded by the market. Besides, the Group will continue to exercise careful cost controls so as to improve the gross profit margin of the Group.

During the nine months ended 30 September 2017, the Group engaged in a new business of architectural design business (the “**Business**”) which involves masterplanning work, general design work and architectural schematic design work and recognised revenue generated from the Business during the three months ended September 2017. In respect of the Business, the Group entered into a conditional business cooperation agreement (the “**Agreement**”) with PT Consultants Design Consultants Limited (澳大利亞柏濤設計諮詢有限公司) (“**PT Consultants**”), a company wholly-owned by Mr. Wang Li Feng (“**Mr. Wang**”), the chairman of the board of directors of the Company and an executive Director, and PT Technology and Science Holding Limited (柏濤建築科技控股有限公司), company owned as to approximately 26.07% by Mr. Wang, Mr. Kong Lixing (executive Director) and Mr. Zhao Guo Xing (executive Director) in aggregate and as to approximately 73.93% by independent third parties, for the solicitation of the Business from independent developers as well as for the subcontracting arrangement between the Group and PT Consultants. As PT Consultants is an associate of Mr. Wang and thus a connected person of the Company, the Agreement is subject to the approval of the independent shareholders of the Company in a forthcoming special general meeting.

Before entering into the Agreement, in January and March 2017, on a trial basis, the Group agreed to undertake the masterplanning work for two projects under the Business subcontracted by PT Consultants with contract sum of approximately RMB2,250,000. These transactions constituted fully exempted transactions under Chapter 20 of the Listing Rules. It is expected by the Company that such sub-contracting arrangement (whether payable by PT Consultants or vice versa) will be carried on thereafter on a numerous and continuous basis and it is the intention of the Company to take up such contracts with larger contract sum, the Group entered into the Business Cooperation Agreement.

In addition to the two subcontracting arrangements with PT Consultants, up to the date of this report, 22 architectural design agreements with aggregate contract sum of approximately RMB55 million were entered into between the Group and independent developers. Out of which, 10 of them were in respect of masterplanning work, while 12 of them was in respect of creativity work involving masterplanning, general design and architectural schematic design. One of the projects involving architectural schematic design work of a project was subcontracted to an independent contractor.

Given the Company has undertaken certain number of projects under the Business with revenue recognised during the three months ended 30 September 2017 and the Group's participation in the Business will be on a continuous basis, the Business has become an existing principal activity of the Group.

The Directors believe that the Business can diversify the principal business activities of the Group and therefore maximize returns to shareholders of the Company. The Group is expanding its scope of principal business activities to encompass the provision of masterplanning and architectural design. The Group is expected to be benefited from diversifying its revenue stream from this new business segment, which is expected to increase its shareholders' value and benefit to the Company and its shareholders as a whole.

Given the market condition in the connectivity products industry and the performance of the new business segment, the Directors hold a positive view as to the results of the Group for the year ending 31 December 2017.

FINANCIAL REVIEW

Revenue and profit

The Group recorded revenue of approximately HK\$293,384,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: approximately HK\$235,994,000), up 24.3%. The increase in revenue was mainly attributable to the Group's new business segment, namely masterplanning and architectural design business.

Revenue generated from OEM customers, retail distributors and masterplanning and architectural design during the nine months ended 30 September 2017 were HK\$200.6 million, HK\$79.1 million and HK\$13.6 million respectively, representing increase of 11.2%, 42.5% and 100.0% as compared with the nine-month ended 30 September 2016.

Revenue generated in Korea, Japan, USA, PRC and the other regions increased by 4.6%, 23.7%, 177.4%, 8,379.3% and 56.1% respectively as compared with the last corresponding period. The substantially increase in revenue in PRC during the nine months ended 30 September 2017 was attributable to the newly launched business of masterplanning and architectural design. Revenue generated in Taiwan decreased by 17.7% as compared with the last corresponding period.

Gross Profit

Benefited by the growth in revenue, the launching of higher value-added products and development of the masterplanning and architectural design business, the Group obtained a gross profit of approximately HK\$43,360,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: approximately HK\$29,245,000), up 48.3%.

Other Income

Other income was approximately HK\$2,945,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: approximately HK\$2,108,000).

Selling and Distribution Expenses

The selling and distribution expenses was approximately HK\$9,157,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: approximately HK\$8,343,000), which was in line with the increase in the revenue.

Administrative Expenses

The administrative expenses was approximately HK\$21,189,000 for the nine months ended 30 September 2017 (Nine months ended 30 September 2016: approximately HK\$26,702,000). During the last corresponding period, the Group incurred approximately HK\$4 million in legal and professional expenses for the take-over issue.

Financial cost

The Group did not incur any financial cost for both periods ended 30 September 2017 and 2016.

Income tax expenses

The Group incurred income tax expenses of approximately HK\$2,015,000 during the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately HK\$1,899,000).

Profit/(Loss) for the period

The profit attributable to owners of the Company for the nine months ended 30 September 2017 was approximately HK\$13,330,000 (Nine months ended 30 September 2016: approximately (Loss):- HK\$(4,999,000). The improvement of the profit was attributable to the growth in revenue generated from launching of higher value-added products and masterplanning and architectural design business.

Liquidity and financial resources

As at 30 September 2017, the Group's net current assets, cash and bank balances and equity attributable to owners of the Company amounted to approximately HK\$25.4 million, HK\$61.7 million and HK\$101.7 million (31 December 2016:- HK\$13.6 million, HK\$43.0 million and HK\$88.5 million) respectively. The current ratio, expressed as current assets over current liabilities, was maintained at the level of 1.15 (31 December 2016: 1.10). The Group had no interest bearing debt as at 30 September 2017 (31 December 2016: nil).

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

As at 30 September 2017, the interests and short position of the directors, the chief executive and their associates in the shares and underlying shares of the Company or its associate corporation (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571 ("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 Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") operated by the Exchange (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 of director	Capacity	Number of Issued Ordinary Shares held	Percentage of Issued share capital of the Company
Wang Li Feng ("Mr. Wang") (Note 1)	Beneficial owner	355,620,000	55.57%
Mr. Pang Kuo-Shi (Note)	Interest of controlled corporation	74,403,000	11.63%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	31,390,000	4.9%

Note 1: 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%.

Note 2: 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.

Other than as disclosed above, none of the directors, the 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 at 30 September 2017.

SHARE OPTION SCHEMES

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 executive directors and fulltime 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 is not permitted to 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 is not permitted to 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.

A nominal consideration of HK\$1 is payable on acceptance of the grant of options. 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, 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 options were granted under the Scheme since its adoption.

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 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 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 nine months ended 30 September 2017, 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 2017, 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.

CORPORATE GOVERNANCE

The Company complied throughout the nine months period ended 30 September 2017 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 Mr. Lau Ho Kit, Ivan, being a non-executive Director of the Company, was not appointed for a specific term. He is, 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 second half of 2017 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, 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 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 nine months ended 30 September 2017.

On behalf of the Board

Wang Li Feng

Chairman

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