



# GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

FIRST QUARTERLY REPORT  
2018

## **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 Rules Governing the Listing of Securities on the GEM (“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.*

## GLORY MARK HI-TECH (HOLDINGS) LIMITED

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 2018 (the "Period") together with the comparative unaudited figures for the corresponding period in 2017 as follows:

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

		<b>Three months ended 31 March</b>	
		<b>2018</b>	2017
		<b>(Unaudited)</b>	(Unaudited)
Notes		<b>HK\$'000</b>	HK\$'000
		<b>83,550</b>	87,453
		<b>(74,331)</b>	(75,064)
Revenue	3		
Cost of sales			
		<b>9,219</b>	12,389
Gross profit			
Other income		<b>1,317</b>	900
Share of profit of a joint venture		<b>193</b>	–
Selling and distribution expenses		<b>(2,380)</b>	(3,365)
Administrative expenses		<b>(7,557)</b>	(6,270)
		<b>792</b>	3,654
Profit before taxation	5		
Income tax expense	6	<b>(648)</b>	(567)
		<b>144</b>	3,087
Profit for the period			
<b>Other comprehensive income for the period:</b>			
Exchange differences arising from translation of foreign operations		<b>1,068</b>	1,089
		<b>1,212</b>	4,176
Total comprehensive income for the period			
Profit for the period attributable to:			
– Equity holders of the Company		<b>32</b>	2,918
– Non-controlling interests		<b>112</b>	169
		<b>144</b>	3,087
Total comprehensive income attributable to:			
– Equity holders of the Company		<b>1,100</b>	4,007
– Non-controlling interests		<b>112</b>	169
		<b>1,212</b>	4,176
Profit per share			
Basic	8	<b>HK0.01 cents</b>	HK0.46 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 2017.

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 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 2017 (“the 2017 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 2017 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, subcontracting service rendered and architectural services 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. Since 2017, the Group has been engaging in a new business of masterplanning and architectural design. The Group’s operating segments under HKFRS 8 are as follows:

##### Information about major customers

	Three months ended 31 March			
	2018		2017	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
OEM customers	53,964	64.6	66,542	76.1
Retail distributors	26,454	31.7	20,911	23.9
Provision of comprehensive architectural services	3,132	3.7	–	–
	<b>83,550</b>	<b>100.0</b>	87,453	100.0

##### Geographical information

Sales analysis by geographical customer market:–

	Three months ended 31 March			
	2018		2017	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited) (restated)	%
Korea	36,732	44.0	38,130	43.6
Taiwan	4,452	5.3	16,966	19.4
Japan	20,309	24.3	21,038	24.1
The United States of America (the “USA”)	14,832	17.8	8,830	10.1
PRC	3,682	4.4	587	0.7
Others	3,543	4.2	1,902	2.1
	<b>83,550</b>	<b>100.0</b>	87,453	100.0

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:–

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Depreciation and amortisation	1,988	1,598

## 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 Period (three months ended 31 March 2017 – nil).

## 8. PROFIT PER SHARE

The calculation of basic profit per share for the Period is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$32,000 (Three months ended 31 March 2017 – Profit: HK\$2,918,000) and on the weighted average number of 640,000,000 shares (for the three months ended 31 March 2017 – 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	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Billion Mass Limited (“ <b>Billion Mass</b> ”)	Rental paid	258	258
Glory Mark Electronic Limited (“ <b>GM (Taiwan)</b> ”) (incorporated in Taiwan)	Rental paid	40	38
San Chen Company (“ <b>San Chen</b> ”)	Rental paid	40	38
Yu Lan	Rental paid	32	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 Period other than profit attributable to shareholders of approximately HK\$32,000 (for the three months ended 31 March 2017 – Profit of approximately HK\$2,918,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Connectively Products Business*

The Group is principally 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 Period, the Group has been suffering from the sluggish marketing condition and the remarkable rise of renminbi and labour costs, which dragged down the profitability of the Group.

These business segments contributed revenue of HK\$80,417,000 for the Period, (three months ended 31 March 2017: HK\$83,550,000), representing drop of 3.7%.

It was expected that these adverse factors would continue to affect this business segment in the coming quarters.

#### *Masterplanning and Architectural Design Business*

The Group has been recognizing revenue from this business segment since the third quarter of 2017. As it is the tradition in this business segment that the revenue is generally lower in the first quarter than other quarters and thus, this business segment only contributed revenue of HK\$3,132,000 during the Period.

### Prospect

It is aware by the Directors that the ongoing Sino-US trade war may materially affect the global economy. However, as it is still uncertain as to the outcome of the trade war, the Directors are unable to assess the potential impact to the Group's business at this moment. The Group will continue to monitor the development of the trade war and consider whether any appropriate measure is necessary to contend with any issue which may arise from the trade war.

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

The Group recorded a turnover of HK\$83,550,000 for the Period (three months ended 31 March 2017: HK\$87,453,000), representing a mild decrease of 4.5%.

#### *Gross profit*

Suffering from the rise of renminbi and labour costs, the Group recorded a gross profit of HK\$9,219,000, down 25.6% as compared to the last corresponding period.

***Other income***

Other income was approximately HK\$1,317,000 for the Period (three months ended 31 March 2017: HK\$900,000).

***Selling and distribution expenses***

Selling and distribution expenses were approximately HK\$2,380,000 for the Period (three months ended 31 March 2017: HK\$3,365,000), down by 29.3%, which was mainly due to the decrease in freight and export expenses.

***Administrative expenses***

Administrative expenses was approximately HK\$7,557,000 for the Period (three months ended 31 March 2017: HK\$6,270,000), up 20.5%, which was mainly due to the increase in staff costs.

***Finance cost***

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

***Income tax expenses***

The Group recorded an income tax expense of approximately HK\$648,000 for the Period (three months ended 31 March 2017: HK\$567,000).

## **PERIOD IN REVIEW**

### **Liquidity and Financial Resources**

The Group continues to maintain a strong financial position. As at 31 March 2018, the Group's net current assets, cash and bank balances and shareholders' funds amounted to approximately HK\$22.1 million, HK\$56.1 million and HK\$106.9 million respectively (31 December 2017: HK\$18.0 million, HK\$45.9 million and HK\$92.6 million respectively). The current ratio, expressed at current assets over current liabilities, was 1.16 (31 December 2017: 1.14). The Group had no interest bearing borrowing as at 31 March 2018 (31 December 2017: Nil).

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

As at 31 March 2018, 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 ("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 in 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 of director	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Wang ( <i>Note 1</i> )	Beneficial owner	355,620,000	55.57%
Mr. Pang Kuo-Shi ( <i>Note 2</i> )	Interest in a controlled corporation	74,403,000	11.63%
Mr. Wong Chun	Beneficial owner	31,390,000	4.9%

*Note 1:* The 355,620,000 shares are held by PT Design Group Holdings Limited (the “**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 former 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, 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 2018.

## 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 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.

## **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.

## **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 Futures Ordinance was disclosed as having a notifiable interest or short positions in the issued share capital of the Company as at 31 March 2018.

## **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 Period, 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 Period, 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 Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## DIRECTORS' INTERESTS IN CONTRACTS

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.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the Period, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed pursuant to the GEM Listing Rules.

Related party transactions of the Group are disclosed in Note 9 to the unaudited condensed consolidated financial statements. They did not constitute connected transactions or continuing connected transactions of the Company, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## CORPORATE GOVERNANCE

The Company complied throughout the Period 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 re-election. The Company deviated from this provision in that Mr. Lau Ho Kit, Ivan, being non-executive Director of the Company, was not appointed for 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 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 three members, Mr. Lau Ho Kit, Ivan, Dr. Hon. Lo Wai Kwok, S.B.S, 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 Period.

On behalf of the Board  
**Wang Li Feng**  
Chairman

Hong Kong  
11 May 2018

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