



# GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159

## FIRST QUARTERLY REPORT

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# 2019

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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*This report, for which the directors (the “**Director(s)**”) of GLORY MARK HI-TECH (HOLDINGS) LIMITED (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (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 (the “**Board**”) 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 2019 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2018 as follows:

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

*For the three months ended 31 March 2019*

		<b>Three months ended 31 March</b>	
		<b>2019</b>	2018
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>		
Revenue	3	<b>78,369</b>	83,550
Cost of sales		<b>(67,525)</b>	(74,331)
Gross profit		<b>10,844</b>	9,219
Other income		<b>913</b>	1,317
Share of (loss)/profit of a joint venture		<b>(190)</b>	193
Selling and distribution expenses		<b>(2,138)</b>	(2,380)
Administrative expenses		<b>(8,361)</b>	(7,557)
Profit before taxation	5	<b>1,168</b>	792
Income tax expense	6	<b>(723)</b>	(648)
Profit for the Period		<b>445</b>	144
<b>Other comprehensive income for the Period:</b>			
Exchange differences arising from translation of foreign operations		<b>332</b>	1,068
Total comprehensive income for the Period		<b>777</b>	1,212
Profit for the Period attributable to:			
– Equity holders of the Company		<b>445</b>	32
– Non-controlling interests		<b>–</b>	112
		<b>445</b>	144
Total comprehensive income attributable to:			
– Equity holders of the Company		<b>777</b>	1,100
– Non-controlling interests		<b>–</b>	112
		<b>777</b>	1,212
Profit per share			
Basic	8	<b>HK\$0.07 cents</b>	HK\$0.01 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 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 2018.

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 GEM Listing Rules 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 2018 (“**the 2018 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 2018 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 and in the provision of comprehensive architectural services. The Group’s operating segments under HKFRS 8 are as follows:

##### Information about major customers

	Three months ended 31 March			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
OEM customers	42,162	53.8	53,963	64.6
Retail distributors	26,661	34.0	26,454	31.7
Provision of comprehensive architectural services	9,546	12.2	3,132	3.7
	<b>78,369</b>	<b>100.0</b>	83,550	100.0

##### Geographical information

Sales analysis by geographical customer market:–

	Three months ended 31 March			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Korea	24,808	31.7	36,732	44.0
Taiwan	6,835	8.7	4,452	5.3
Japan	18,337	23.4	20,309	24.3
The United States of America (the “USA”)	15,439	19.7	14,832	17.8
The People’s Republic of China (the “PRC”)	9,901	12.6	3,682	4.4
Others	3,049	3.9	3,543	4.2
	<b>78,369</b>	<b>100.0</b>	83,550	100.0

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:-

	Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation	1,814	1,988

## 6. INCOME TAX EXPENSE

The taxation provided represents the 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 had 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 Board does not recommend the payment of a dividend for the Period (three months ended 31 March 2018: nil).

## 8. PROFIT PER SHARE

The calculation of basic profit per share of the Company (the "Share(s)") for the Period is based on the unaudited consolidated profit attributable to the shareholders of the Company (the "Shareholders") of approximately HK\$445,000 (three months ended 31 March 2018: approximately HK\$32,000) and on the weighted average number of 640,000,000 Shares (three months ended 31 March 2018: 640,000,000 Shares).

## 9. RESERVES

There was no movement in reserves of the Group during the Period other than profit attributable to the Shareholders of approximately HK\$445,000 (three months ended 31 March 2018: approximately HK\$32,000).

## 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 had suffered from the sluggish market condition and the negative impact of Sino-US trade war, which dragged down the turnover and profitability of the Group.

This business segment contributed revenue of approximately HK\$68,823,000 for the Period (three months ended 31 March 2018: approximately HK\$80,417,000), representing a drop of 14.4%.

It is expected that these adverse factors would continue to affect this business segment in the coming quarters. The Directors anticipated that the impact of these unfavourable factors is highly uncertain and is mainly depending on the development of the Sino-US trade war.

#### *Provision of comprehensive architectural services*

The revenue recognized from this business segment was growing satisfactorily since the introduction of this business in the third quarter of 2017. This business segment contributed revenue of approximately HK\$9,546,000 during the Period (three months ended 31 March 2018: approximately HK\$3,132,000), increased significantly by approximately 204.8%.

Despite the business of providing comprehensive architectural services may not be affected by the Sino-US trade war, it is uncertain as to whether the Sino-US trade war would produce a chain reaction and as such, there is no guarantee that this business segment would not be affected in near future.

Having considered the unfavourable and uncertain economic situations, the Directors keep a very conservative view as to the results of the Group in the coming quarters and the Company will pay close attention to the market condition and the development of the Sino-US trade war.

### Financial Review

The Group recorded a turnover of approximately HK\$78,369,000 for the Period (three months ended 31 March 2018: approximately HK\$83,550,000), representing a decrease of approximately 6.2%.

**Gross profit**

The Group recorded a gross profit of approximately HK\$10,844,000, up approximately 17.6% as compared to approximately HK\$9,219,000 as recorded in the last corresponding period.

**Other income**

Other income was approximately HK\$913,000 for the Period (three months ended 31 March 2018: approximately HK\$1,317,000).

**Selling and distribution expenses**

Selling and distribution expenses were approximately HK\$2,138,000 for the Period (three months ended 31 March 2018: approximately HK\$2,380,000), decreased by 10.2%, which was mainly attributable to the decrease in revenue during the Period.

**Administrative expenses**

Administrative expenses was approximately HK\$8,260,000 for the Period (three months ended 31 March 2018: approximately HK\$7,557,000), representing an increase of approximately 9.3%.

**Finance cost**

The Group did not incur any finance cost in both the Period and the three months ended 31 March 2018.

**Income tax expenses**

The Group recorded an income tax expense of approximately HK\$723,000 for the Period (three months ended 31 March 2018: approximately HK\$648,000).

**PERIOD IN REVIEW****Liquidity and Financial Resources**

The Group continues to maintain a strong financial position. As at 31 March 2019, the Group's net current assets, cash and bank balances and Shareholders' funds amounted to approximately HK\$42.7 million, HK\$57.0 million and HK\$121.3 million respectively (31 December 2018: approximately HK\$41.0 million, HK\$65.1 million and HK\$120.0 million respectively). The current ratio as at 31 March 2019, expressed at current assets over current liabilities, was 1.31 (31 December 2018: 1.27). The Group had no interest bearing borrowing as at 31 March 2019 (31 December 2018: nil).



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

As at 31 March 2019, 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 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

Name of Director	Capacity	Number of issued ordinary Shares held	Percentage of issued share capital of the Company
Mr. Wang Li Feng (“Mr. Wang”) (Note 1)	Interest in a controlled corporation	355,620,000	55.57%
Mr. Pang Kuo-Shi (Note 2)	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 (“PT Design”). PT Design is held by Wise Thinker Holdings Limited (which is owned as to approximately 90.17% by Mr. Wang; approximately 3.97% by Aggregation Investment Limited; approximately 1.68% by Polygons Union Limited; and approximately 1.25% by Platinum Time Co., Ltd.) as to 63.28%, Zhao Li Holdings Limited (which is wholly-owned by Mr. Kong Lixing, an executive Director) as to approximately 6.65%, Infinity Glory Investments Limited (which is wholly-owned by Mr. Wang) as to approximately 23.79%, Atelier Urbaneer Limited (which is wholly-owned by Mr. Zhao Guo Xing, an executive Director) as to approximately 3.62% and Nexterm Holdings Limited (which is wholly-owned by Mr. He Yongyi, an executive Director) as to approximately 2.66%. Mr. Wang is deemed to be interested in the 355,620,000 Shares under the SFO.

*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, under the SFO.

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 or any of its associated corporations as at 31 March 2019.

## 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 in issue at any point in time, without prior approval from the 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 in issue at any point in time, without prior approval from the 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 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 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 have been granted under the Scheme since its adoption.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme, 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.

## SUFFICIENCY OF PUBLIC FLOAT

The Company had 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 SFO was disclosed as having a notifiable interest or short positions in the issued share capital of the Company as at 31 March 2019.

## 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 had complied with the required standards of dealings and the Company's code of conduct regarding directors' securities transactions.

## INTERESTS IN COMPETITORS

During the Period, the following Directors had interests in the following business which were considered to compete or likely to compete, either directly or indirectly, with the business of the Group (other than those business where the Directors were appointed as directors to represent the interests of the Company and/or the Group):

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing Business	Nature of interests
Mr. Wang	Australia PT Design Consultants Limited ("PT Consultants")	Provision of architectural design service (other than technical and documentation work)	Directly holding 27.6% interest in PT Consultants and a director
	PT Architectural Design (Shenzhen) Company Limited ("PT Shenzhen")	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 27.6% interest in PT Shenzhen through PT Consultants and a director
	Shanghai PT Architecture Design & Consultant Co., Ltd ("Shanghai PT")	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director
Mr. Kong Lixing	PT Shenzhen	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 22.0% interest through PT Consultants and a director
	Shanghai PT	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director

Name of Director	Name of entity which were considered to compete or likely to compete with the business of the Group	Description of competing Business	Nature of interests
	PT Consultants	Provision of architectural design service (other than technical and documentation work)	A director and directly holding 22.0% interest in PT Consultants
Mr. Zhao Guo Xing	PT Consultants	Provision of architectural design service (other than technical and documentation work)	Directly holding 13.6% interest in PT Consultants
	PT Shenzhen	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 13.6% interest through PT Consultants and a director and general manager
Mr. He Yongyi	Shanghai PT	Provision of architectural design service (other than technical and documentation work)	Indirectly holding 17% interest in Shanghai PT and a director

As (i) each of the above Directors is fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; (ii) the architectural design service will be first undertaken by the Group as general design contractor, unless otherwise requested by independent developers; (iii) unless otherwise requested by independent developers, all master-planning work shall be first subcontracted to the Group; (iv) the Group have the first right of refusal on accepting the architectural schematic design work unless it is specifically requested by the independent developers that such work shall be performed by PT Consultants or PT Shenzhen; and (v) each of Mr. Wang, Mr. Kong Lixing and Mr. He Yongyi has not involved in the day-to-day management and operation of Shanghai PT, the Group is capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed above, during the Period, none of the Directors or the controlling Shareholders or their respective close associates 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 the existing Shareholders.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the Period.

## 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: –

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 independent non-executive Director, 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 the Directors' service are appropriate given that the Directors ought to be committed to representing the long term interests of the Shareholders and the retirement and re-election requirements of non-executive Directors have already given the Shareholders the right to approve continuation of non-executive Directors' offices.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises four members, namely Mr. Lau Ho Kit, Ivan, Dr. Hon. Lo Wai Kwok, SBS, MH, JP, Mr. Fong Chi Wai, Alex and Mr. Lu Yongchao 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 Audit Committee.

On behalf of the Board

**Wang Li Feng**

*Chairman & Executive Director*

Hong Kong, 15 May 2019

*As at the date of this report, the executive Directors are Mr. Wang Li Feng, Mr. Wong Chun, Mr. He Yongyi, Mr. Pang Kuo Shi, Mr. Kong Lixing and Mr. Zhao Guo Xing; and the independent non-executive Directors are Mr. Lau Ho Kit, Ivan, Dr. Hon. Lo Wai Kwok SBS, MH, JP, Mr. FONG Chi Wai, Alex and Mr. Lu Yongchao.*