



GLORY MARK HI-TECH (HOLDINGS) LIMITED

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

Stock Code: 8159



FIRST QUARTERLY REPORT **2020**



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*This report, for which the directors (the “**Director(s)**”) 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 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.*

GLORY MARK HI-TECH (HOLDINGS) LIMITED

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the three months ended 31 March 2020

| | Notes | Three months ended 31 March | |
|---|-------|---------------------------------|---------------------------------|
| | | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
| Revenue | 3 | 55,390 | 78,369 |
| Cost of sales | | (50,696) | (67,525) |
| Gross profit | | 4,694 | 10,844 |
| Other income | | 854 | 913 |
| Other gains and losses | | (642) | — |
| Share of loss of a joint venture | | (1,556) | (190) |
| Selling and distribution expenses | | (1,466) | (2,138) |
| Administrative expenses | | (10,163) | (8,261) |
| (Loss) profit before taxation | 5 | (8,279) | 1,168 |
| Income tax expense | 6 | (420) | (723) |
| (Loss) profit for the Period | | (8,699) | 445 |
| Other comprehensive income for the Period: | | | |
| Exchange differences arising from translation of foreign operations | | 996 | 332 |
| Total comprehensive (expense) income for the Period | | (7,703) | 777 |
| (Loss) profit for the Period attributable to: | | | |
| – Equity holders of the Company | | (8,441) | 445 |
| – Non-controlling interests | | (258) | — |
| | | (8,699) | 445 |
| Total comprehensive (expense) income attributable to: | | | |
| – Equity holders of the Company | | (7,445) | 777 |
| – Non-controlling interests | | (258) | — |
| | | (7,703) | 777 |
| (Loss) profit per share | | | |
| Basic | 8 | HK\$(1.32) cents | HK\$0.07 cents |

Notes:

1. GENERAL AND BASIS OF PRESENTATION

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

The shares of the Company (the “Share(s)”) were listed on GEM on 4 January 2002. The addresses of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business in Hong Kong is at Unit 802, Level 8, Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). 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 HK\$.

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 2019 (the “2019 Financial Statements”).

3. REVENUE

Sales of connectively products

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.

Provision of comprehensive architectural services

Where the outcome of a contract of comprehensive architectural services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 | | | |
|---|------------------------------------|--------------|---------------------------|----------|
| | 2020 | | 2019 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | <i>(Unaudited)</i> | | <i>(Unaudited)</i> | |
| OEM customers | 28,846 | 52.1 | 42,162 | 53.8 |
| Retail distributors | 20,523 | 37.0 | 26,661 | 34.0 |
| Provision of comprehensive architectural services | 6,021 | 10.9 | 9,546 | 12.2 |
| | 55,390 | 100.0 | 78,369 | 100.0 |

Geographical information

Sales analysis by geographical customer market:–

| | Three months ended 31 March | | | |
|---|---------------------------------------|--------------|---------------------------------------|--------------|
| | 2020 | | 2019 | |
| | <i>HK\$'000</i> <i>(Unaudited)</i> | % | <i>HK\$'000</i> <i>(Unaudited)</i> | % |
| The United States of America | 15,112 | 27.3 | 15,439 | 19.7 |
| Japan | 13,583 | 24.5 | 18,337 | 23.4 |
| Korea | 9,910 | 17.9 | 24,808 | 31.7 |
| The People's Republic of China (the "PRC") | 7,591 | 13.7 | 9,901 | 12.6 |
| Taiwan | 6,225 | 11.2 | 6,835 | 8.7 |
| Others | 2,969 | 5.4 | 3,049 | 3.9 |
| | 55,390 | 100.0 | 78,369 | 100.0 |

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:–

| | Three months ended 31 March | |
|-------------------------------|---|---|
| | 2020 <i>HK\$'000</i> <i>(Unaudited)</i> | 2019 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Depreciation and amortisation | 1,634 | 1,814 |

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 2019: nil).

8. (LOSS) PROFIT PER SHARE

The calculation of basic (loss) profit per Share for the Period is based on the unaudited consolidated (loss) profit attributable to the shareholders of the Company (the “**Shareholders**”) of approximately HK\$8,441,000 (three months ended 31 March 2019: approximately HK\$445,000) and on the weighted average number of 640,000,000 Shares (three months ended 31 March 2019: 640,000,000 Shares).

9. RESERVES

There was no movement in reserves of the Group during the Period other than (loss) profit attributable to the Shareholders of approximately HK\$8,441,000 (three months ended 31 March 2019: approximately HK\$445,000) and increase in translation reserve of approximately HK\$996,000 (three months ended 31 March 2019: approximately HK\$332,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Electronic 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 outbreak of the COVID-19 pandemic globally has imposed adverse impact on the consumer demand for electronic products globally and the Group's production capacity and efficiencies in the PRC. The Directors believe that these are the main factors that will affect the Electronics Business of the Group in the future. To the extent manageable, the Group has used its best endeavours to fulfill its committed sales orders, remain in close contacts and liaison with its customers to closely follow up the delivery schedules and upcoming sales orders. The Group had also launched some higher value-added products and actively discussing the sales of such products at a mutually beneficial price and sales volume in order to minimize any possible negative impact on its business.

This business segment contributed revenue of approximately HK\$49,369,000 for the Period (three months ended 31 March 2019: approximately HK\$68,823,000), representing a decrease of approximately 28.3%.

The Group will continue to assess the impact of COVID-19 on the Group's business operations and will take appropriate measures as and when necessary.

The Architectural Design Business

The revenue recognized from this business segment was growing satisfactorily since the introduction of this business in the third quarter of 2017. Due to the outbreak of COVID-19 over the Period, our design projects in the PRC were suspended and hence adversely affect this business segments. This business segment contributed revenue of approximately HK\$6,021,000 during the Period (three months ended 31 March 2019: approximately HK\$9,546,000), decreased significantly by approximately 36.9%.

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 outbreak of the COVID-19.

Financial Review

The Group recorded a turnover of approximately HK\$55,390,000 for the Period (three months ended 31 March 2019: approximately HK\$78,369,000), representing a decrease of approximately 29.3%.

Gross profit

The Group recorded a gross profit of approximately HK\$4,694,000 for the Period, representing a decrease of approximately 56.7% as compared to approximately HK\$10,844,000 as recorded in the last corresponding period. The gross profit margin decreased from approximately 13.8% for the three months ended 31 March 2019 to approximately 8.5% for the Period as some fixed costs could not be reduced under the declining production scale during the outbreak of the COVID-19.

Other income

Other income was approximately HK\$854,000 for the Period (three months ended 31 March 2019: approximately HK\$913,000).

Selling and distribution expenses

Selling and distribution expenses were approximately HK\$1,466,000 for the Period (three months ended 31 March 2019: approximately HK\$2,138,000), decreased by 31.4%, which was mainly attributable to the decrease in revenue during the Period.

Administrative expenses

Administrative expenses was approximately HK\$10,163,000 for the Period (three months ended 31 March 2019: approximately HK\$8,261,000), representing an increase of approximately 23.0%.

Finance cost

The Group did not incur any finance cost in both the Period and the three months ended 31 March 2019.

Income tax expenses

The Group recorded an income tax expense of approximately HK\$420,000 for the Period (three months ended 31 March 2019: approximately HK\$723,000).

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

As at 31 March 2020, 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 ”) <i>(Note)</i> | Interest in a controlled corporation | 355,620,000 | 55.57% |
| Wise Thinker Holdings Limited <i>(Note)</i> | Interest in a controlled corporation | 355,620,000 | 55.57% |
| PT Design Group Holdings Limited <i>(Note)</i> | Beneficiary owner | 355,620,000 | 55.57% |

Note: The 355,620,000 Shares are held by PT Design Group Holdings Limited, which is indirectly wholly-owned by Mr. Wang Li Feng.

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 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2020, the following persons, not being a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Ordinary Shares of HK\$0.01 each

| Name of shareholder | Capacity | Number of issued ordinary Shares held | Percentage of issued share capital of the Company |
|--|---|--|--|
| Mr. Pang Kuo-Shi (“Mr. Pang”) (<i>Note</i>) | Interest in a controlled corporation | 74,403,000 | 11.63% |
| Modern Wealth Assets Limited (<i>Note</i>) | Beneficiary owner | 74,403,000 | 11.63% |

Note: Mr. Pang Guo-Shi is deemed to be interested in the 74,403,000 shares held by Modern Wealth Assets Limited, a company wholly-owned by Mr. Pang.

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 2020.

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 Director and former directors of the Company 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 Director and former directors of the Company were appointed as directors to represent the interests of the Company and/or the Group):

| Name of Director and former directors of the Company | 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 (Resigned on 5 December 2019) | 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 |
| | PT Consultants | Provision of architectural design service (other than technical and documentation work) | A director and directly holding 22.0% interest in PT Consultants |

| Name of Director and former directors of the Company | 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. Zhao Guo Xing (Resigned on 5 December 2019) | 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 (Resigned on 5 December 2019) | 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 Director and former directors of the Company 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 Director and former directors of the Company 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 re-election. The Company deviated from this provision in that certain independent non-executive Directors were not appointed for specific term. They are, however, subject to retirement and re-election at general meeting of the Company 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.

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 complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Period.

The Company has received, from each of the independent non-executive Directors, a 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 (the “**Audit Committee**”) comprises three members, namely Dr. Yan Ka Shing, Mr. Fong Chi Wai, Alex and Dr. Feng Shen who are all independent non-executive Directors with Dr. Yan Ka Shing acting as the chairman. The primary duties of the Audit Committee are, among others, 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 2020

As at the date of this report, the executive Directors are Mr. Wang Li Feng, Mr. Yu Sanlong, Mr. Fan Xiaoling and Ms. Lee Jui-lan; the non-executive Director is Mr. Wong Chun; and the independent non-executive Directors are Dr. Hon. Lo Wai Kwok SBS, MH, JP., Mr. Fong Chi Wai, Alex, Mr. Lu Yongchao, Dr. Yan Ka Shing and Dr. Feng Shen.