



**Goldenmars Technology Holdings Limited**

**晶芯科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8036)

**First Quarterly Report 2014**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 Stock 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 of the Stock Exchange 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 (the “**Directors**”) of Goldenmars Technology Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*

## **HIGHLIGHTS**

Revenue for the three months ended 30 June 2014 was approximately HK\$185.8 million, representing a 25.7% decrease from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company for the three months ended 30 June 2014 was approximately HK\$2.6 million, representing a 89.4% decrease from that of the Last Corresponding Period.

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2014 (2013: Nil).

## **FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014**

The board of Directors (the “Board”) of Goldenmars Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2014 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2013 (“Last Corresponding Period”).

The audit committee, comprising all of the independent non-executive Directors, has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2014 and is of the opinion that such results comply with the applicable accounting standards and requirement, and that adequate disclosure have been made.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>For the three months ended 30 June</b>	
		<b>2014</b>	2013
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
	Revenue	3 <b>185,818</b>	250,130
	Cost of sales	<u><b>(175,522)</b></u>	<u>(210,611)</u>
	<b>Gross profit</b>	<b>10,296</b>	39,519
	Selling expenses	<b>(709)</b>	(1,014)
	General & administrative expenses	<b>(4,436)</b>	(6,151)
	Other income	<u><b>514</b></u>	<u>230</u>
	<b>Operating profit</b>	<b>5,665</b>	32,584
	Share of loss of a joint venture	<b>(545)</b>	–
	Finance costs	4 <u><b>(1,186)</b></u>	<u>(1,269)</u>
	<b>Profit before income tax</b>	<b>3,934</b>	31,315
	Income tax expense	6 <u><b>(1,313)</b></u>	<u>(6,654)</u>
	<b>Profit for the period attributable to equity holders of the Company</b>	<u><b>2,621</b></u>	<u>24,661</u>
	<b>Earning per share attributable to the equity holders of the Company</b>		
	Basic and diluted	7 <u><b>HK1.05 cents</b></u>	<u>HK13.70 cents</u>
	<b>Dividends</b>	8 <u><b>–</b></u>	<u>–</u>
	<b>Comprehensive income</b>		
	Profit for the period	<b>2,621</b>	24,661
	<b>Other comprehensive income</b>		
	Currency translation differences	<u><b>(16)</b></u>	<u>261</u>
	<b>Total comprehensive income attributable to equity holders of the Company</b>	<u><b>2,605</b></u>	<u>24,922</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited									
Attributable to equity holders of the Company									
Other reserves									
Share capital	Share premium	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	Sub total	Retained earnings	Total	
<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
		<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>					
<b>For the 3 months ended</b>									
<b>30 June 2013</b>									
Balance at 1 April 2013	100	-	50,374	2,480	1,042	3,300	57,196	54,322	111,618
Profit for the period	-	-	-	-	-	-	-	24,661	24,661
Currency translation differences	-	-	-	-	-	261	261	-	261
Total comprehensive income	-	-	-	-	-	261	261	24,661	24,922
Balance at 30 June 2013	<u>100</u>	<u>-</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,561</u>	<u>57,457</u>	<u>78,983</u>	<u>136,540</u>

Unaudited									
Attributable to equity holders of the Company									
Other reserves									
Share capital	Share premium	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	Sub total	Retained earnings	Total	
<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
		<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>					
<b>For the 3 months ended</b>									
<b>30 June 2014</b>									
Balance at 1 April 2014	2,490	51,806	50,374	2,480	1,042	3,701	109,403	56,282	168,175
Profit for the period	-	-	-	-	-	-	-	2,621	2,621
Currency translation differences	-	-	-	-	-	(16)	(16)	-	(16)
Total comprehensive income	-	-	-	-	-	(16)	(16)	2,621	2,605
Balance at 30 June 2014	<u>2,490</u>	<u>51,806</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,685</u>	<u>109,387</u>	<u>58,903</u>	<u>170,780</u>

*Notes:*

**(a) Merger reserve**

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies now comprising the Group, after elimination of intra-group investments.

**(b) Capital reserve**

The Group's capital reserve represents deemed contribution by the controlling shareholders as Ms. Shen Wei acquired the remaining non-controlling interests of Boda Technology (International) Limited and contributed to the Group at no cost prior to 1 April 2011.

**(c) Statutory reserve**

The Company's subsidiary in the People's Republic of China ("PRC") is required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting standards and systems to the statutory reserve until the balance reaches 50% of the their respective registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

## NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2013 (the "Listing").

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing and sales of dynamic random-access memory ("DRAM") modules, universal serial bus ("USB") flash drives and other data memory products, and (ii) trading of DRAM chips, NAND flash, DRAM modules and CPU chips.

### 2. BASIS OF PRESENTATION AND PREPARATION

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the Group on 27 June 2012, the details of which are as set out in the prospectus ("Prospectus") issued by the Company dated 30 August 2013.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certificate Public Accountants and the disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing these unaudited consolidated results are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2014, except for the adoption of the new and revised HKFRS that have become effective for accounting period beginning on 1 April 2014.

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited consolidated results.

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective for the Current Period.

The unaudited consolidated results have been prepared under historical basis.

The unaudited consolidated results are presented in Hong Kong Dollars ("HK\$") which is the same as the functional currency of the Company.

### 3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

The CODM considers that the Group has a single operating and reporting segment which is the manufacturing and sales of DRAM chips, DRAM modules NAND flash, CPU chips, USB flash drives and related products. CODM assesses the performance of this single segment based on revenue and operating result.

The Group’s sales were mostly originated in Hong Kong during the periods.

Revenue of the Group is analysed as follows:

	For the three months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
DRAM chips	44,700	146,882
DRAM modules	46,113	42,332
NAND flash	28,778	57,576
CPU chips	63,121	–
USB flash drives	1,720	3,297
Provision of assembly services	797	–
Others	589	43
	<u>185,818</u>	<u>250,130</u>

### 4. FINANCE COSTS

	For the three months ended 30 June	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Finance costs		
– Interest expenses on bank borrowings	1,186	1,264
– Interest expenses on finance lease liabilities	–	5
	<u>1,186</u>	<u>1,269</u>



## 5. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses, and general and administrative expenses are analysed as follows.

	For the three months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	175,481	208,217
Reversal of impairment of inventories	(1,000)	–
Auditor's remuneration	233	11
Depreciation of property, plant and equipment	780	925
Advertising expenses	–	158
Freight and transportation expense	91	330
Listing expenses	–	2,760
Other legal and professional fees	374	73
Employee benefit expenses	3,120	3,294
Operating lease rentals of premises	189	290
Utilities expense	115	192
Others	1,284	1,526
	<u>180,667</u>	<u>217,776</u>

## 6. INCOME TAX EXPENSE

	For the three months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,272	6,654
– PRC Corporate Income Tax	–	–
Under/(Over)-provision in prior years	–	–
Deferred income tax		
– Hong Kong profits tax	41	–
	<u>1,313</u>	<u>6,654</u>

The Group is subject to both Hong Kong profits tax and PRC Corporate Income Tax.

Hong Kong profits tax has been provided for at the rate of 16.5% for the periods on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subjected to PRC Corporate Income tax at the rate of 25% for the periods. No PRC Corporate Income Tax has been provided as the PRC subsidiary has no assessable profits for the periods.

**7. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the three months ended 30 June 2014 of approximately HK\$2,621,000 (2013: HK\$24,661,000), and of the weighted average number of approximately 249,000,000 (2013: 180,000,000) ordinary shares in issue during the period, assuming that 170,000,000 shares issued pursuant to the capitalisation upon Listing had been in issue throughout all periods.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the periods.

**8. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2014 (2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

Although DRAM supply from various original manufacturers decreased during the quarter, demand remained fairly stable. Given the supplies being relatively tight, the Group recorded a minor decline in the revenue contribution. But with the appropriate inventory management and business strategy, the Group maintained steady operating revenues amid lackluster demands in the quarter.

Looking into the second quarter of 2014, the market of DRAM will continue to remain prosperous. With respect to the flash memory business, given the expected launch of new smartphone products in the second half of 2014 and the strong growth momentum gained in the cell phone market of Mainland China, it is envisaged that the market demand will be driven up by roll-out of new models of various branded tablets and cell phones, which will concurrently push up the prices of flash memory products. Besides, being supported by upstream suppliers, the Group has the confidence in meeting clients' demands and believes that the Group will record steady revenues for its business.

Bozhou Botong Supply Chain Co., Ltd. ("JV Company") is expected to officially commence production as scheduled in the second half of 2014. The JV Company has resolved to increase its registered capital ("Capital Increase") on 29 July 2014 (reference to the announcement of the Company dated 30 July 2014). In order to balance the Group's financial resources with the amount of business risk of the JV Company, the Group did not contribute to the Capital Increase of the JV Company. Following completion of the Capital Increase, the Group's equity interests in the JV Company will be diluted from 35% to 16.74%. Upon completion of the Capital Increase, there will be no significant changes in the accounting treatment of the JV investment, and the JV Company will continue to be accounted for under equity method and no significant impact on both the Group's consolidated statement of financial position and consolidated income statement is expected.

## **FINANCIAL REVIEW**

The Group's revenue decreased by approximately 25.7% from HK\$250.1 million to HK\$185.8 million for the three months ended 30 June 2014 as compared with the Last Corresponding Period.

Decrease in revenue is mainly resulted from decrease in trading orders of DRAM chips and NAND flash as driven by market demand, and is partially offset by the trading of new product, namely CPU chips.

Gross profit margin 5.5% were recorded for the Current Period and 15.8% were recorded for the Last Corresponding Period.

Decrease in gross profit margin was mainly caused by the fluctuation in market price of raw materials during the Current Period.

General and administrative expenses for the Current Period decreased by approximately HK\$1.7 million, representing a 27.9% decrease from the Last Corresponding period, was mainly caused by the decrease in Listing expenses.

The decrease in profit attributable to shareholders by approximately HK\$22.0 million for the Current Period was mainly attributable to the decline in revenue and gross profit which was partially offset by the decrease in expenses and income tax expenses.

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

As at 30 June 2014, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long positions in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital
Mr. George Lu	Interest of controlled corporation <i>(Note 1)</i>	179,640,000	72.14
Ms. Shen Wei	Interest of controlled corporation <i>(Note 1)</i>	179,640,000	72.14
Ms. Lau Wing Sze	Interest of controlled corporation <i>(Note 2)</i>	360,000	0.14
Ms. Lau Wing Sze	Beneficial owner	741,000	0.30

- (1) Each of Mr. George Lu and Ms. Shen Wei, husband and wife, holds 50% interest in Forever Star Capital Limited ("Forever Star"), a company incorporated in the British Virgin Islands, respectively. Therefore, both of them are deemed to be interested in all the Shares which are beneficially owned by Forever Star.
- (2) The 360,000 shares were registered in the name of Nice Rate Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Ms. Lau Wing Sze.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2014, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following interest of which would fall to be disclosed under Division 2 and 3 of part XV of the SFO, or the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

### **Long positions in ordinary shares of the Company**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Forever Star Capital Limited ( <i>Note</i> )	Beneficial owner	179,640,000	72.14

*Note:* Each of Mr. George Lu and Ms. Shen Wei, both are executive Directors of the Company, holds 50% interest in Forever Star Capital Limited respectively.

### **SHARE OPTION SCHEME**

The Company's existing Share Option Scheme was conditionally approved by a written resolution of the Shareholders of our Company dated 21 August 2013, which comply with Chapter 23 of the GEM Listing Rules governing share option schemes of listed companies. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to the Company's Prospectus.

During the three months ended 30 June 2014, no option was granted, exercised or lapsed under the Share Option Scheme.

## **INTEREST OF COMPLIANCE ADVISER**

As notified by China Everbright Capital Limited (“China Everbright”), the Company’s compliance adviser, except for the compliance adviser agreement entered into between the Company and China Everbright dated 17 June 2014, neither China Everbright nor any of its directors or employees or associates had any material interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES**

For the three months ended 30 June 2014, none of the Directors, controlling shareholders of the Company or any of their respective associates is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted a code of conduct regarding securities transactions by directors 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 Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the three months ended 30 June 2014.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules through out the Current Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the three months ended 30 June 2014.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. The audit committee consists of three independent non-executive Directors, namely, Pang Chung Fai Benny, Wan Tak Shing and Loo Hong Shing Vincent.

The audit committee has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2014 and is of the opinion that such results comply with the applicable accounting standards and requirement, and that adequate disclosure have been made.

By order of the Board

**Goldenmars Technology Holdings Limited**

**George Lu**

*Chairman*

Hong Kong, 11 August 2014

*As at the date of this report, the Executive Directors of the Company are George Lu, Shen Wei, and Lau Wing Sze; and the independent Non-Executive Directors of the Company are Pang Chung Fai Benny, Wan Tak Shing and Loo Hong Shing Vincent.*