

GoldenMars Technology



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

PLACING

Sole Sponsor:



Sole Global Coordinator, Sole Bookrunner
and Sole Lead Manager:



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

GoldenMars^{Technology}
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晶芯科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET
OF THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING**

Number of Placing Shares : 60,000,000 Shares (subject to the Offer Size Adjustment Option)
Placing Price : Not more than HK\$0.9 per Share and expected to be not less than HK\$0.7 per Share, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
Nominal value : HK\$0.01 per Share
Stock code : 8036

Sole Sponsor



Haitong International Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Haitong International Securities Company Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI headed "Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Placing Price is currently expected to be fixed by an agreement between our Company and the Sole Global Coordinator on the Price Determination Date, which is scheduled on or about 2 September 2013, or such later date as may be agreed between our Company and the Sole Global Coordinator. If the Sole Global Coordinator and our Company are unable to reach an agreement on the Placing Price on 2 September 2013 (or such later time and/or date as agreed by our Company and the Sole Global Coordinator), the Placing will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the GEM website at www.hkgem.com and our Company's website at www.goldenmars.com. The Placing Price will not be more than HK\$0.9 per Share and is expected to be not less than HK\$0.7 per Share. The Sole Global Coordinator may, with the consent of our Company, reduce the indicative Placing Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Placing Price range will be published on the GEM website at www.hkgem.com and our Company's website at www.goldenmars.com. If, for any reason, the Placing Price is not agreed between our Company and the Sole Global Coordinator, the Placing will not proceed and will lapse.

Prospective investors of the Placing should note that the Sole Global Coordinator is entitled to terminate their obligations under the Underwriting Agreement by notice in writing to our Company given by the Sole Global Coordinator upon the occurrence of any of the events set out under "Underwriting – Grounds for Termination" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will not proceed and will lapse.

CHARACTERISTICS OF GEM

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 higher 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.

EXPECTED TIMETABLE⁽¹⁾

2013

(Note 1)

Price Determination Date on <i>(Note 2)</i>	Monday, 2 September
Announcement of the determination of the Placing Price and the level of indication of interest in the Placing to be published on the GEM website at www.hkgem.com and our Company's website at www.goldenmars.com on or before	Friday, 6 September
Allotment of the Placing Shares on or before	Friday, 6 September
Deposit of share certificates for the Placing Shares into CCASS on or before <i>(Note 3)</i>	Friday, 6 September
Dealings in the Shares on GEM to commence at 9:00 a.m. on <i>(Note 4)</i>	Monday, 9 September <i>(Note 5)</i>

Notes:

- (1) All times and dates refer to Hong Kong times and dates, except as otherwise stated.
- (2) The Price Determination Date is scheduled on 2 September 2013 (or such later date as agreed between our Company and the Sole Global Coordinator). If the Sole Global Coordinator and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
- (3) The Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 6 September 2013 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Sole Global Coordinator, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.
- (4) For details of the structure of the Placing, including conditions thereof, please refer to "Structure and Conditions of the Placing" of this prospectus.
- (5) If there is any change to the above expected timetable, a separate announcement will be made by our Company.
- (6) All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its term prior to 8:00 a.m. on the Listing Date.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Underwriter, any of our or their respective directors, officers or representatives or any other person involved in the Placing.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares. Various expressions used herein are defined in the section headed "Definitions and Glossary" in this prospectus.

BUSINESS OVERVIEW

We are primarily engaged in manufacturing and sales of DRAM modules and trading of DRAM chips.

DRAM or DRAM chip, means dynamic random access memory (dynamic RAM), is a main type of memory used in desktop computers, laptops, workstation and server which allows computer's CPU to access instructions and data swiftly. DRAM module is a type of memory module composed of a series of DRAM chips mounted on a printed circuit board. They are one of the essential components for enhancing the performance of computers.

According to the iSuppli Report, we ranked the twenty-first and twentieth in terms of our sales revenue of DRAM modules among third-party DRAM module manufacturers ^{Note} worldwide in 2011 and 2012, respectively.

We started off as a trading company for sale and purchase of DRAM modules and DRAM chips in 2005. To expand the scale of operation and to enjoy the economies of scale, we established our production plant in Shenzhen, the PRC, to manufacture DRAM modules in 2007. During the Track Record Period, our major revenue drivers include sale of self-manufactured products and trading of goods. In some circumstances, we also offer assembling services.

Our key self-manufactured product is DRAM modules. To complement our product portfolio, we also manufacture and sell other e-storage devices such as USB flash drives. For our trading business, we primarily sell DRAM chips, the most important component for DRAM modules. Upon request, we may also assist our customers to source and/or sell them DRAM modules bearing third parties' brands and other components. In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks (SSDs) in ultrabooks.

Note: According to the iSuppli Report, there are only a handful of DRAM chip manufacturers and the top five players produced approximately 97.1% of all the DRAM chips shipped in 2012. Most DRAM module manufacturers source DRAM chips from DRAM chip manufacturers for production of DRAM modules and these DRAM module manufacturers who do not produce the DRAM chips are referred to as "third-party DRAM module manufacturers" or "third-party manufacturers of DRAM modules". Third-party DRAM module manufacturers only represented approximately 33% of the market share in the whole DRAM module market in 2012. Our market share represented approximately 0.5% of the third-party DRAM module market in terms of DRAM module revenue by third-party DRAM module manufacturers worldwide in 2012, and represented approximately 0.2% of overall DRAM module market in terms of DRAM module revenue by all DRAM module manufacturers (including both third-party manufacturers and non third-party manufacturers of DRAM modules) worldwide in 2012.

SUMMARY

Below is a breakdown by our revenue drivers during the Track Record Period:

	For the year ended 31 March			
	2012	2013	2012	2013
	Revenue	Percentage	Revenue	Percentage
	(HK\$'000)	of total	(HK\$'000)	of total
		revenue		revenue
		(%)		(%)
Self-manufactured products				
<i>Branded products</i>				
DRAM modules	164,670	35.7	71,933	14.0
USB flash drives and others (Note 1)	<u>5,575</u>	<u>1.2</u>	<u>2,990</u>	<u>0.6</u>
<i>Sub-total:</i>	170,245	36.9	74,923	14.6
<i>Non-branded products</i>				
DRAM modules	99,142	21.4	89,420	17.5
USB flash drives	<u>28,059</u>	<u>6.1</u>	<u>21,750</u>	<u>4.2</u>
<i>Sub-total:</i>	<u>127,201</u>	<u>27.5</u>	<u>111,170</u>	<u>21.7</u>
Sub-total:	297,446	64.4	186,093	36.3
Trading goods				
DRAM chips	156,598	33.9	223,288	43.6
DRAM modules	2,285	0.5	11,993	2.3
NAND flash	–	–	87,744	17.1
Others (Note 2)	<u>1,159</u>	<u>0.3</u>	<u>815</u>	<u>0.3</u>
Sub-total:	160,042	34.7	323,840	63.3
Assembling services	<u>4,227</u>	<u>0.9</u>	<u>1,866</u>	<u>0.4</u>
Total:	<u><u>461,715</u></u>	<u><u>100.0</u></u>	<u><u>511,799</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Other self-manufactured products include solid-state drives and multimedia players.
- (2) Other trading goods include components of our products (other than DRAM chips and NAND flash).

Foreseeing the importance of brand building to our success, we have been strategically focusing on promoting and developing our branded products during the Track Record Period. During the Track Record Period, our branded product sales were approximately HK\$170.2 million and HK\$74.9 million, respectively, representing approximately 36.9% and 14.6% of our total revenue for each of the two

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years ended 31 March 2013, respectively. We manufacture our branded products under our GoldenMars brand, and we also manufacture non-branded products. During the Track Record Period, our non-branded product sales were approximately HK\$127.2 million and HK\$111.2 million, respectively, representing approximately 27.5% and 21.7% of our total revenue for each of the two years ended 31 March 2013, respectively. Since September 2011, our management tended to select more profitable orders and avoid accepting non-profitable production orders so as to increase the profit margin of our manufacturing business, and, accordingly, the revenue contribution from our trading business increased while the revenue contribution from our manufacturing business reduced for the year ended 31 March 2013 as compared to the previous reporting periods. For details of our revenue's fluctuation, please refer to sub-section headed "Overview of major items of our income statement for the Track Record Period – Revenue" under section headed "Financial Information" in this prospectus.

We sell the majority of our products to the PRC and Hong Kong, and also export part of the products to Taiwan, Europe and Americas. The table below sets out a breakdown of our revenue by reference to the geographical locations of our customers for the years indicated:

	For the year ended 31 March			
	2012		2013	
	Revenue	Percentage	Revenue	Percentage
	(HK\$'000)	of total	(HK\$'000)	of total
		revenue		revenue
		(%)		(%)
PRC and Hong Kong	301,113	65.2	417,845	81.6
Taiwan	84,031	18.2	50,007	9.8
Americas	55,160	11.9	13,912	2.7
Europe	12,990	2.8	14,927	2.9
Other countries (<i>Note</i>)	8,421	1.9	15,108	3.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total:	<u>461,715</u>	<u>100.0</u>	<u>511,799</u>	<u>100.0</u>

Note: Other countries include Africa, Australia, Thailand and some other Asian countries.

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Set out below is the summary of DRAM modules manufactured and sold by us classified by capacity during the Track Record Period:

Capacity	For the year ended 31 March							
	2012				2013			
	Percentage of total revenue of self-manufactured		Quantity (Unit)	Average unit price (HK\$)	Percentage of total revenue of self-manufactured		Quantity (Unit)	Average unit price (HK\$)
	Revenue (HK\$'000)	DRAM modules (%)			Revenue (HK\$'000)	DRAM modules (%)		
8GB	-	-	-	-	2,472	1.5	9,935	248.8
4GB	85,253	32.3	676,116	126.1	127,776	79.2	975,479	131.0
2GB	113,913	43.2	1,424,394	80.0	26,722	16.6	369,666	72.3
1GB	64,423	24.4	674,681	95.5	4,379	2.7	81,041	54.0
512MB	223	0.1	2,885	77.3	4	0.0	82	48.8
Total:	263,812	100.0	2,778,076	N/A	161,353	100.0	1,436,203	N/A

Note: For the avoidance of doubt, the above quantity excludes the quantity manufactured by us that we only charged assembling fee which amounted to approximately HK\$4.2 million and HK\$1.9 million for each of the two years ended 31 March 2013, respectively.

Set out below is the summary of DRAM modules manufactured and sold by us classified by form factor during the Track Record Period:

Form factor	For the year ended 31 March							
	2012				2013			
	Percentage of total revenue of self-manufactured		Quantity (Unit)	Average selling price (HK\$)	Percentage of total revenue of self-manufactured		Quantity (Unit)	Average selling price (HK\$)
	Revenue (HK\$'000)	DRAM modules (%)			Revenue (HK\$'000)	DRAM modules (%)		
DDR1	9,563	3.6	80,973	118.1	473	0.3	4,772	99.1
DDR2	29,462	11.2	247,238	119.2	2,839	1.8	22,078	128.6
DDR3	224,787	85.2	2,449,865	91.8	158,041	97.9	1,409,353	112.1
Total:	263,812	100.0	2,778,076	N/A	161,353	100.0	1,436,203	N/A

Note: For the avoidance of doubt, the above quantity excludes the quantity manufactured by us that we only charged assembling fee which amounted to approximately HK\$4.2 million and HK\$1.9 million for each of the two years ended 31 March 2013, respectively.

Our major customers include (1) computer manufacturers which use our products as components, and either manufacture computers on an OEM/ODM basis for others or in their own brands, (2) trading companies of both DRAM modules, DRAM chips and other products which will generally on-sell our products or goods to computer and mobile phone manufacturers, distributors and/or third-party retailers

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in the “do-it-yourself” computer assembling market and (3) retailers who sell our products directly to consumers. We have cultivated long-term relationship with a number of our major customers by providing them with (i) quality self manufactured products and after-sales services and (ii) wide range of specification of DRAM chips. For the year ended 31 March 2013, eight of our top ten customers had been our customers for three years or more.

The most important component of DRAM modules is the DRAM chip. The quality and reliability of our DRAM modules highly depends on the quality and reliability of the DRAM chips we sourced. DRAM chip is also our key trading product. According to iSuppli Report, when the DRAM chip market enters a supply shortage, it would be difficult for third party DRAM module manufacturer to procure the type of DRAM chips they desire. Stable supply of quality DRAM chips would be one of the keys to success of our business. We maintain stable relationship with our suppliers who are distributors or agents of reliable DRAM chip manufacturers. Our top five suppliers include a DRAM chip manufacturer which belongs to a listed company in the US and is one of the top five global DRAM suppliers in 2012 (based on shipment according to iSuppli Corporation), and a DRAM chip supplier whose shareholders include a listed company in Taiwan. As at 31 March 2013, four of our top five suppliers had been our suppliers for three years or more.

According to the iSuppli Report, there are only a handful of DRAM chip manufacturers globally and the top five players produced 97.1% of all the DRAM chips shipped in 2012. On the contrary, there are numerous DRAM module manufacturers in the world. Most DRAM module manufacturers source DRAM chips in the market for that DRAM chips are produced by limited number of manufacturers. The DRAM module manufacturing market is generally more competitive than DRAM chip market. Many customers of our Group would need to source purchase DRAM chips from other industry players and they are also more willing to pay for DRAM chips at higher pricing when they are in need of stock with particular specification. With our stable relationship with our suppliers who are distributors or agents of well established DRAM chip manufacturers which provides stable sources of DRAM chips, we usually have bargaining power to conclude a price with higher profit margin for trading products rather than self-manufactured products. On the other hand, we offer more competitive pricing for our self-manufactured DRAM module products due to the keen competition in the market and that our Goldenmars brand has yet become a top brand. With a combination of the above factors, the gross profit margins for our manufacturing business were slightly lower than those of its trading business during the Track Record Period.

Further, depending on the development of the technology of memory related products, there is usually a dominant form factor and capacity for DRAM modules or other memory products at different point of time. In light of the limited number of DRAM chip manufacturers, it is not uncommon that the market players in the secondary market of DRAM chips may purchase and sell DRAM chips in the same category (same brand, same form factor and same capacity) among the market players. To the best information and knowledge of our Directors, players in the third party DRAM module industry keep stock of DRAM chips and DRAM modules with different specification from time to time. One player could have stock with particular specification which is needed by others. We source our DRAM chips through various channels, including, but not limited to, the agents of DRAM chips manufacturers, distributors and sometimes other sellers of DRAM chips or DRAM modules who are also our customers. On the other hand, some of our suppliers may also purchase goods from us if we

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have stock with specification that they are in need of. Seven out of our top ten customers for the year ended 31 March 2013 were also our suppliers. Sales to the top ten customers who were also suppliers attributed to approximately 61.0% of the total revenue for the year ended 31 March 2013. The amount of purchases from the top ten customers who were also suppliers attributed to approximately 14.4% of the total purchases for the year ended 31 March 2013.

We are headquartered in Hong Kong. A majority of our management teams are stationed in our self-owned office in Hong Kong. The majority of our production and R&D activities are carried out in our leased factory in Shenzhen, the PRC. As at 31 March 2013, we had a total of four SMT production lines with an annual production capacity of approximately 2.9 million units of DRAM modules and approximately 0.9 million units of USB flash drives.

Our revenue has increased by approximately 10.8% from year ended 31 March 2012 to 31 March 2013. The increase was mainly due to the increase in our revenue from trading business by approximately 102.3%, which was partially offset by decrease in our revenue from manufacturing business by approximately 37.4% for the year ended 31 March 2013 as compared to 2012.

Our gross profit increased by approximately 8.8% from approximately HK\$45.8 million for the year ended 31 March 2012 to approximately HK\$49.8 million for the year ended 31 March 2013. Such increase was mainly due to the increase in gross profit attributable to our trading business from approximately HK\$17.6 million for the year ended 31 March 2012 to approximately HK\$32.8 million for the year ended 31 March 2013. Our gross profit margin for each of the two years ended 31 March 2013 were 9.9% and 9.7%, respectively. The gross profit margin of our manufacturing business for each of the two years ended 31 March 2013 were 9.4% and 9.1%, respectively, whereas those of our trading business for each of two years ended 31 March 2013 were 11.0% and 10.1%, respectively. The slight decrease in the overall gross profit was mainly due to (i) the decrease in contribution of gross profit generated from our manufacturing business, and (ii) the low profit margin derived from trading in NAND flash, a memory we commenced trading in bulk since December 2012, which was partially offset by our ability to secure higher profit margin for trading in DRAM chips.

We recorded net profit attributable to equity holders of the Company of approximately HK\$76.5 million and HK\$17.9 million for each of the two years ended 31 March 2012 and 2013, respectively. Our net profit margin for each of the two years ended 31 March 2013 were approximately 16.6% and 3.5%, respectively. The fluctuation in net profit was mainly due to an approximately HK\$59.8 million gain on disposal of a property which was recorded for the year ended 31 March 2012, while there was no such gain recorded for the year ended 31 March 2013. The net profit margin for the year ended 31 March 2012 after adjusting such non-recurring item was approximately 3.6%.

Other than the fluctuation in the price of DRAM chips, we recorded various non-recurring items recorded during the Track Record Period. Such items include, among others, (i) a compensation income of approximately HK\$3.1 million from a supplier for supplying raw materials that fell short of specification for the year ended 31 March 2012, and (ii) a gain on disposal of property of approximately HK\$59.8 million for the year ended 31 March 2012, which represented approximately 78.2% of the net profit for the year.

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SELECTED FINANCIAL INFORMATION

The following tables set forth our selected financial data during the Track Record Period which are extracted from our consolidated financial information included in the Accountant's Report set out in Appendix I to this prospectus.

Summary information on consolidated income statements

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Revenue	461,715	511,799
Cost of sales	<u>(415,916)</u>	<u>(461,990)</u>
Gross profit	45,799	49,809
Selling expenses	(4,316)	(3,399)
General and administrative expenses	(19,123)	(19,984)
Other income	3,893	352
Gain on disposal of property, plant and equipment	<u>59,834</u>	<u>200</u>
Operating profit	86,087	26,978
Finance costs	<u>(2,583)</u>	<u>(3,087)</u>
Profit before income tax	83,504	23,891
Income tax expense	<u>(7,004)</u>	<u>(6,015)</u>
Profit for the year attributable to equity holders of the Company	<u><u>76,500</u></u>	<u><u>17,876</u></u>
Profit as adjusted by the effect of gain on disposal of property, plant and equipment	<u><u>16,666</u></u>	<u><u>17,676</u></u>

SUMMARY

Selected information from consolidated balance sheets

	As at 31 March	
	2012 (HK\$'000)	2013 (HK\$'000)
Non-current assets	64,244	60,501
Current assets	199,795	227,163
Current liabilities	168,993	176,031
Net current assets	30,802	51,132
Total assets less current liabilities	95,046	111,633
Net assets	93,590	111,618

Key financial ratios

	Notes	As at/for the year ended 31 March	
		2012	2013
Current ratio	1	1.18	1.29
Gearing ratio	2	57.6%	40.1%
Gross profit margin	3	9.9%	9.7%
Net profit margin	4	16.6%	3.5%
Adjusted profit margin	5	3.6%	3.5%

Notes:

1. Current ratio is calculated based on the total current assets divided by total current liabilities at the end of the respective dates.
2. Gearing ratio is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the respective dates.
3. Gross profit margin is calculated as gross profit divided by the revenue of the respective years.
4. Net profit margin is calculated as net profit attributable to equity holders of the Company for the year divided by revenue of the respective years.
5. Adjusted profit margin is calculated as the net profit for the year as adjusted by excluding the gain on disposal of property, plant and equipment divided by revenue.

SENSITIVITY ANALYSIS

For reference purpose, the following table sets out a sensitivity analysis of the effect of the fluctuations of the prices of DRAM chips during the Track Record Period, assuming no change of sales volume, gross profit margin and other expenses. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the effect on the increase or decrease of our cost of goods sold with a 48% increase or decrease of DRAM chip price, representing the maximum fluctuation of DRAM chip price during the Track Record Period based on iSuppli Corporation.

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Decrease or increase in cost of goods sold		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
% change in cost of DRAM chips	+/- 48%	175,892	199,781

To illustrate the potential effect on our revenue and net profit, the following table sets out the sensitivity analysis of the effects of DRAM chip price movement.

Decrease or increase in turnover		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Price of DRAM chips increased by 48%		206,086	228,684
Price of DRAM chips decreased by 48%		(190,870)	(218,403)

Decrease or increase in net profit		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Price of DRAM chips increased by 48%		25,212	24,134
Price of DRAM chips decreased by 48%		(12,507)	(15,549)

Notes:

The above analysis is made by relying on the following assumptions:

1. No change in our existing sales volume;
2. No change in our gross profit margin;
3. All other expenses including cost of production, operating expenses, finance expenses and taxation remain unchanged;
4. Any force majeure events or unforeseeable factors that are beyond our control are not accounted for;
5. We are able to adjust upward the mark-up percentage when raw material prices drop to ensure that we maintain the gross profit margin.

The above analysis is for reference only and based on above assumptions and should not be viewed as actual effects.

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The following breakeven analysis shows the minimum sales volume of our self-manufactured DRAM modules to cover our other costs, assuming all other factors and costs remain the same:

	For the year ended 31 March	
	2012	2013
Minimum sales volume of our self-manufactured DRAM modules (unit)	911,038 [#]	Not applicable*

Notes:

- * We would still record net profit for the year ended 31 March 2013 after excluding the gross profit attributable to the sale of our self-manufactured DRAM modules, assuming the gross profit margin of our self-manufactured DRAM modules equals to the gross profit margin of our manufacturing business.
- # For the purpose of this breakeven analysis, the incidental gain on disposal of property, plant and equipment attributable to the net profit during the year ended 31 March 2012 was excluded.

For the assumptions of the above breakeven analysis, please refer to the sub-section headed “Risk Factors – Our business operations are subject to fluctuations in the price of DRAM chips, an important component of DRAM modules and our key trading product”.

LISTING EXPENSES

Despite we expect that our net profit margin, after excluding the non-recurring gains, for the six months ending 30 September 2013 will be comparable to that for the year ended 31 March 2012, we believed that our net profit and net profit margin for the six months ending 30 September 2013 will be considerably affected by the incurrence of expenses of no less than approximately HK\$5.2 million in relation to the Listing, whereas approximately HK\$14.0 million has been recognized as expenses during the three years ended 31 March 2013. We also expect that no less than HK\$8.8 million of our initial public offering costs will be deferred and set off against the share premium account upon completion of the Placing.

RECENT DEVELOPMENT OF DRAM CHIP AND DRAM MODULE MARKET

According to iSuppli Corporation, the total revenue of DRAM chips market increased by 7% to approximately US\$7.1 billion in the first quarter of 2013 from the fourth quarter of 2012, and the average selling price per GB increased by approximately 5% from US\$0.82 to US\$0.86, which were mainly driven by market supply and demand condition.

Despite the overall total shipment of DRAM modules decreased by 11% in the first quarter of 2013 as compared to the fourth quarter of 2012, the total revenue for DRAM module market increased to US\$4,328 million in the first quarter of 2013 as compared to US\$4,309 million the fourth quarter of 2012, mainly attributable to tighter supply of DRAM chips.

SUMMARY

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

The Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Company since 31 March 2013, being the last date of our latest audited financial results as set out in the Accountant's Report in Appendix I, up to the date of this prospectus. As far as we are aware, there was no material change in the general conditions in the DRAM chips, DRAM modules, NAND flash and USB flash drive markets that had affected or would affect our business operations or financial condition materially and adversely.

Based on our unaudited financial information, we recorded a total revenue of approximately HK\$250.1 million for the three months ended 30 June 2013. Comparatively, our revenue for the three months ended 30 June 2012 was approximately HK\$102.5 million with combined utilization rate of approximately 33.4% for the three months ended 30 June 2013. The increase in revenue for the three months ended 30 June 2013, as compared with the corresponding period in 2012, was primarily due to the substantially higher revenue recognised from trading of DRAM chips and NAND flash resulting from certain new customers captured by our Group. These new customers include an electronic product manufacturer which belongs to a listed company in Taiwan, a company principally engaged in supplying computer hardware and memory digital products with affiliated company operating manufacturing plant in China and supplier of electronic components.

We recorded gross profit of approximately HK\$4.6 million and HK\$34.5 million from our trading business, representing a gross profit margin of approximately 9.2% and 16.9% for the three months ended 30 June 2012 and 2013, respectively. The increase in trading business's gross profit and gross profit margin were mainly due to (i) the dominant DRAM chips traded for the three months ended 30 June 2013 was 512Mbx8 which was with larger capacities than the dominant DRAM chips traded with specification of 256Mbx8 during the corresponding period in 2012 as driven by the market demand which are with higher selling prices; (ii) the high average selling price for the sales of DRAM chips as driven by the market condition; and (iii) inventories as at 31 March 2013 were purchased at a comparatively lower average unit price with the average unit purchase price of the DRAM chips with specification of 512Mbx8 increased by approximately 33.0% from the two months ended 31 March 2013 to the two months ended 31 May 2013.

We recorded gross profit of approximately HK\$5.9 million and HK\$5.1 million from our manufacturing business for the three months ended 30 June 2012 and 2013, representing a stable gross profit margin of approximately 11.2% and 11.1% respectively.

As a result of the above, we recorded a substantial increase in overall gross profit margin of approximately 30.5% for the one month ended 30 April 2013, which gradually decreased to approximately 13.6% for the one month ended 31 May 2013 and approximately 9.5% for the one month ended 30 June 2013, a level which is comparable to the year ended 31 March 2013. Given that the prices of the DRAM chips and DRAM modules fluctuate and that there is no long term contract signed with our customers, the exceptionally high gross profit margin of approximately 15.8% for the three months ended 30 June 2013 set out above may not be sustainable.

SUMMARY

The Directors confirm that we did not have any material non-recurring income or expenses for the three months ended 30 June 2013 save for certain expenses incurred in relation to the Listing. As at 30 June 2013, 94.3% of the trade receivables as at 31 March 2013 have been subsequently settled. As at 30 June 2013, 81.0% of the finished goods as at 31 March 2013 were subsequently sold.

FUTURE PLANS AND PROSPECTS

According to iSuppli Corporation, the DRAM chip market and the DRAM module market are intrinsically linked. The fluctuation in average selling price of DRAM chips correlates strongly with the fluctuation in third-party module manufacturers' revenue given that the main cost of a DRAM module is DRAM chips. Key driving factor for the increase in demand of DRAM modules is increase in demand of personal computers, whereas technological transition of the computers also affects the DRAM modules much.

Despite the DRAM module growth will be stagnant as consumers are expected to continue to shift from desktops to laptops or ultrathin PCs for the next few years where upgrades are not as frequent, iSuppli Corporation expects that the overall DRAM modules shipment will remain stable in the coming years. According to iSuppli Corporation, the overall DRAM modules shipment is expected to slightly increase from approximately 706.2 million units in 2012 to approximately 732.3 million units in 2017, Asian DRAM module is expected to slightly increase from approximately 367.9 million units in 2012 to approximately 380.2 million units in 2017, and the China DRAM module shipment is expected to increase from approximately 165.5 million units in 2012 to approximately 222.4 million units in 2017.

Although upgrades for laptops are not as frequent as desktops, increase in demand of laptops in the past few years (from approximately 204.4 million units in 2010 to approximately 211.9 million units in 2012) supported the demand for the laptop modules and the module market as a whole, in particular in the Asian market, and including the China DRAM module market that we focuses on. In the past few years, the growth in Asian DRAM module market has been mainly driven by the laptop modules, which took up approximately 62.3% of the Asian DRAM module market in 2012, and it is expected that the growth in Asian DRAM module market will continue to be driven by the laptop modules in coming years which is expected to account for approximately 69.6% of the Asian DRAM module market in 2017 as majority of consumers prefer the portability of laptop computers. The China DRAM module market is also expected to be supported by laptop modules, which has taken up approximately 61.7% of the China DRAM module market in 2012 and is forecasted by iSuppli Corporation to take up 70.2% of the China DRAM module market in 2017. DRAM module market could hence be positively benefited from the rising trend of shipment of notebook computers. Increase in ultrathin PCs generally does not favour the DRAM module market, its threat to DRAM modules is decreasing as the trend of ultrathin PCs using solder-down memory (memory being soldered directly to the motherboard) has now been declining and the use of DRAM modules on ultrathin PCs has been increasing. Emerging of tablets in the past few years weaken the demand of desktop PCs, laptop PCs and hence DRAM modules, but given desktop computers are generally the most powerful among PC products (i.e. desktops, laptops, ultrabooks and tablets) and customers who require high computer performance tend to choose desktop computers, tablets cannot replace desktop PCs or laptop PCs, the impact arising from emerging of tablets on the demand of DRAM modules would be finite.

SUMMARY

Fluctuation in selling prices of DRAM modules are expected to vacillate between negative and positive in the coming few years. As mainly driven by the increasing demand of laptop computers, iSuppli Corporation expects that the Asian DRAM module market (including the PRC DRAM module market) will continue to grow in the coming five years.

According to the iSuppli Report, our market share in terms of revenue generated by DRAM modules among the third-party DRAM module manufacturers increased from approximately 0.39% in 2009 to approximately 0.46% in 2012, which evidences that we have the ability to increase our market share despite the overall market condition of the DRAM chips and DRAM modules were volatile in the past few years.

After taking into account of the above factors and that more than 80% of our sales during the Track Record Period were to our customers in Asia and we are going to keep our focus in Asian market including mainly the PRC, our Directors consider that both of our trading and manufacturing business will continue to be affected by the market prices of DRAM chips and DRAM modules and will grow gently in the coming years.

BUSINESS OBJECTIVE, STRATEGIES AND IMPLEMENTATION PLAN

We will strategically work on enhancing our market position in the third-party DRAM module market and increase our market share worldwide with focus in the PRC. We will continue to seek opportunities to realise sustainable growth in our business. We intend to implement the following strategies to capitalise on our strengths so as to enhance our business prospects and profitability:

- To increase our market share in the third-party DRAM module industry in the PRC and worldwide
- Strengthen our R&D and design capability
- To enhance on our quality control and production capability

For elaboration on our business objective and strategies, please refer to the sub-section headed “Business – Our business Strategies” in this prospectus for details.

USE OF PROCEEDS

Assuming a Placing Price of HK\$0.8 per Share, being the mid-point of the proposed Placing Price range of HK\$0.7 to HK\$0.9 per Share (assuming the Offer Size Adjustment Option is not exercised), the net proceeds from the Placing are estimated to be approximately HK\$20.0 million, after deducting related expenses in the amount of approximately HK\$28.0 million. Such net proceeds are intended to be used as follows:

- approximately HK\$7.3 million (representing approximately 36.5% of the net proceeds) will be used for increase our market share, through, among others, expanding our sales and marketing team, participating in exhibitions worldwide, placing advertisements in electronic and computer product websites;

SUMMARY

- approximately HK\$7.7 million (representing approximately 38.5% of the net proceeds) will be used for strengthening our R&D and design capability, through including but not limited to, conducting researches on the latest technologies with focus on developing and improving new and existing products and employing more qualified hardware and software engineers;
- approximately HK\$3.0 million (representing approximately 15.0% of the net proceeds) will be used for purchasing of new machineries, such as quality control and testing machines, with an aim to enhance our quality control and combined production capability of DRAM modules and USB flash drives; and
- the remaining balance of approximately HK\$2.0 million (representing 10.0% of the net proceeds) will be used for additional working capital and other general corporate purposes.

We will finance our remaining business plans as scheduled up to 31 March 2016 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds from the issue of the Placing Shares (assuming the Offer Size Adjustment Option is not exercised) of about HK\$20.0 million and our internal resources will be sufficient to finance our business plans as scheduled up to each of the two years ending 31 March 2015 and 31 March 2016.

In the event that the Placing Price is set at the high-end and the low-end of the proposed Placing Price range (assuming the Offer Size Adjustment Option is not exercised), we will receive net proceeds of approximately HK\$26.1 million and HK\$14.4 million, after deducting related expenses, respectively. We will use the new proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the upper end or lower end of the proposed Placing Price.

If the Offer Size Adjustment Option is exercised in full, the Directors estimate that the additional net proceeds from the Placing of these additional Shares will be approximately HK\$6.9 million, after deducting all the related expenses and assuming a Placing Price of HK\$0.8 per Share, being the midpoint of the indicative Placing Price range. The additional proceeds received from the exercise of the Offer Size Adjustment Option will be allocated in accordance with the above allocations on a pro rata basis.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

The competition of DRAM module industry is keen. In order to obtain large orders from reputable manufacturers of computer products so as to increase market shares, building and upgrading our corporate image is considered to be important. Based on the experience of our management and to the best information and belief of our Directors, maintaining a listing status of a company facilitates in establishing relationship with computer manufacturers who tend to choose well established suppliers. Upon Listing, we would expand our sales and marketing team to focus on the soliciting of new customers, in particular top tier computer manufacturers in the PRC by leveraging on its listing status. For the long term benefit of our Group, the Directors consider it worth spending on preparation of the Listing to obtain a listing status.

SUMMARY

RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors". You should read that entire section carefully before you decide to invest in the Placing Shares.

THE PLACING

A total of 60,000,000 Shares, representing 25.0% of the enlarged issued share capital of our Company immediately following completion of the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), will be made available under the Placing.

An option has been granted by the Company to the Underwriter, exercisable by the Underwriter on or before 5 September 2013, at its sole and absolute discretion under the Underwriting Agreement to require the Company to issue up to an additional 9,000,000 Shares, representing 15.0% of the number of the initial Placing Shares, at the Placing Price. If the Offer Size Adjustment Option is exercised in full, the additional 9,000,000 Shares and the Shares offered in the initial Placing will represent approximately 3.6% and 27.7% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Underwriter to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

SUMMARY

PLACING STATISTICS

	Based on a Placing Price of HK\$0.7 per Share	Based on a Placing Price of HK\$0.9 per Share
Market capitalization of our Shares ⁽²⁾	HK\$168.0 million	HK\$216.0 million
Historical price/earnings multiple ⁽³⁾	9.4 times	12.1 times
Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾	HK\$0.58	HK\$0.63

Notes:

- (1) All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme and that the Offer Size Adjustment Option is not exercised.
- (2) The calculation of the market capitalization of the Shares is based on the respective Placing Price of HK\$0.7 and HK\$0.9 per Share and on the assumption that 240,000,000 Shares in issue immediately after completion of the Placing and Capitalization Issue.
- (3) The calculation of the historical price/earnings multiple is based on the net profit of approximately HK\$17.9 million for the year ended 31 March 2013, the respective Placing Price of HK\$0.7 and HK\$0.9 per Share and on the assumption that 240,000,000 Shares, in issue immediately after the completion of the Placing and the Capitalization Issue had been in issue throughout the year but does not take into account any Shares which may be issued upon the exercise of the share options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option.
- (4) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus, the respective Placing Price of HK\$0.7 and HK\$0.9 per Share and on the basis of 240,000,000 Shares in issue immediately after completion of the Placing and the Capitalization Issue but does not take into account any Shares which may be issued upon the exercise of share options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option.

DEFINITIONS & GLOSSARY

A. DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Americas”	collectively, North America and South America
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 21 August 2013 and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “our Board”	the board of Directors
“Boda International”	Boda Technology (International) Limited (博達科技(國際)有限公司), a limited liability company incorporated on 10 April 2007 under the laws of Hong Kong, a wholly-owned subsidiary of Treasure Fantasy and an indirect wholly-owned subsidiary of our Company after the Reorganization
“Bodatong Shenzhen”	博達通科技(深圳)有限公司 (Bodatong Technology (Shenzhen) Company Limited*), a wholly foreign-owned enterprise established in the PRC on 11 July 2007 and a wholly-owned subsidiary of Boda International and an indirect wholly-owned subsidiary of our Company after the Reorganization
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalization Issue”	the issue of 170,000,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company on or around 21 August 2013 as detailed in Appendix V headed “Statutory and general information” to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS & GLOSSARY

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan but for the purpose of our ranking in the DRAM module industry, it includes Hong Kong
“Companies Law”	the Companies Law (2012 Revision) Cap. 22 of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	Goldenmars Technology Holdings Limited (晶芯科技控股有限公司), an exempted company incorporated in the Cayman Islands on 23 February 2011 with limited liability
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of our Company, means Forever Star, Mr. George Lu and Ms. Shen Wei
“Corporate Governance Committee”	the corporate governance committee of our Board
“Deed of Non-Competition”	the deeds of non-competition undertaking all dated 26 June 2012 which has all been superseded by the ones dated 21 August 2013 executed by each of Forever Star, Mr. George Lu, Ms. Shen Wei and Ms. Lau Wing Sze in favour of our Company
“Director(s)”	the director(s) of our Company
“Forever Star”	Forever Star Capital Limited, a company incorporated on 18 January 2011 under the laws of the BVI and owned by Mr. George Lu and Ms. Shen Wei, each holding 50% of its shares, being a Controlling Shareholder of our Company after the Reorganization

DEFINITIONS & GLOSSARY

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Golden Profit”	Golden Profit Global Trading Limited (盈金環球貿易有限公司), a company incorporated on 16 November 2010 under the laws of the BVI and wholly owned by our Company after the Reorganization
“Goldenmars HK”	Goldenmars Technology (Hong Kong) Limited (晶芯科技(香港)股份有限公司), a limited liability company incorporated on 26 April 2005 under the laws of Hong Kong and wholly-owned by Great Success after the Reorganization
“Great Success”	Great Success Global Investments Limited (宏昇環球投資有限公司), a company incorporated on 4 January 2011 under the laws of the BVI, wholly owned by Golden Profit and an indirect wholly-owned subsidiary of our Company after the Reorganization
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Haitong Capital” or “Sole Sponsor”	Haitong International Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity for the purpose of the SFO, being the sole sponsor to the Placing
“Haitong Securities” or “Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager” or “Underwriter”	Haitong International Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of the SFO, being the sole global coordinator, sole lead manager and sole bookrunner of the Placing
“High Degree”	High Degree Limited, a company incorporated on 18 January 2011 under the laws of the BVI, wholly owned by Ms. Lui Wan Ching and an Independent Third Party after the Reorganization
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by HKICPA

DEFINITIONS & GLOSSARY

“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Advisers”	Angela Ho & Associates, our legal advisers as to Hong Kong law
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates
“iSuppli Report”	the market research reports prepared by iSuppli Corporation commissioned by us, which analyse the DRAM module market
“Latest Practicable Date”	26 August 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in our Shares first commence on GEM, which is expected to be on Monday, 9 September 2013
“Listing Division”	the Listing Division of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
“Nice Rate”	Nice Rate Limited, a company incorporated on 10 January 2011 under the laws of the BVI, wholly owned by our Director, Ms. Lau Wing Sze and a Shareholder of our Company after the Reorganization
“Nomination Committee”	the nomination committee of our Board

DEFINITIONS & GLOSSARY

“Offer Size Adjustment Option”	the option granted by the Company to the Underwriter, exercisable by the Underwriter on or before 5 September, at its sole and absolute discretion under the Underwriting Agreement to require the Company to issue up to an additional 9,000,000 Shares, representing 15.0% of the number of the initial Placing Shares, at the Placing Price, details of which are described in the section headed “Structure and Conditions of the Placing” of this prospectus
“Placing”	the conditional placing of 60,000,000 Placing Shares by the Underwriter on behalf of our Company together with, where relevant, any additional Placing Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option subject to the terms and conditions as described in the section headed “Structure and condition of the Placing” of this prospectus, for cash at the Placing Price, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the price for each Placing Share of not more than HK\$0.9 per Share and expected to be not less than HK\$0.7 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
“Placing Shares”	the Shares being offered for subscription pursuant to the Placing
“PRC Company Law”	Company Law of the PRC* (中華人民共和國公司法) (as amended, supplemented or otherwise modified from time to time)
“PRC Government” or “Chinese Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context require, any of them
“PRC Legal Advisers”	AllBright Law Offices (錦天城律師事務所), our legal advisers as to PRC law
“Price Determination Date”	the date, expected to be on or around Monday, 2 September 2013, on which the Placing Price will be determined for the purposes of the Placing
“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS & GLOSSARY

“Reorganization”	the pre-listing reorganization of our Group, further details of which are described under the section headed “History, reorganization and group structure – Reorganization for listing” in this prospectus
“SAFE”	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed “Share Option Scheme” in Appendix V headed “Statutory and General Information” in this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen Factory”	the factory located at 4/F and 5/F, Block No. B17, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC, where our production facilities are housed
“State Council”	the State Council of the PRC
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under Section 2 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Top Harvest”	Top Harvest Capital Limited (拓豐資本有限公司), a company incorporated on 4 January 2011 under the laws of the BVI, wholly owned by Golden Profit and an indirect wholly-owned subsidiary of our Company after the Reorganization

DEFINITIONS & GLOSSARY

“Track Record Period”	the period comprising the two years ended 31 March 2013
“Treasure Fantasy”	Treasure Fantasy Limited, a company incorporated on 10 January 2011 under the laws of the BVI, wholly owned by Golden Profit and an indirect wholly-owned subsidiary of our Company after the Reorganization
“Underwriter”	the underwriter of the Placing as listed in the sub-section headed “Underwriting – Underwriter” in this prospectus
“Underwriting Agreement”	the conditional underwriting and placing agreement entered into on 29 August 2013 between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, and the Underwriter and the Sole Global Coordinator relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“United Kingdom” or “UK” or “Britain”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“sq.m”	square metre(s)
“%”	per cent

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. The English names of PRC nationals, entities, departments, facilities, certificates, titles, etc. marked “” in this prospectus are translations of their Chinese names and are for identification purposes only, and if there is any inconsistency, the Chinese name shall prevail.*

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in USD have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80. No representation is made that the USD amounts could have been, or could be, converted into HK\$ at such rates or at any other rate on such date or on any other date.

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DEFINITIONS & GLOSSARY

B. GLOSSARY

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“CAGR”	acronym for compound annual growth rate, it represents the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding. $\text{CAGR} = (\text{Ending Value}/\text{Beginning Value})^{(1/\text{Number of Years})} - 1$
“CE”	a mandatory conformance for products placed in the market in the European Economic Area (EEA). The CE marking certifies that a product has met European Union consumer safety, health or environmental requirements
“CPU”	acronym for central processing unit, the portion of a computer system that carries out the instructions of a computer program, and is the primary element carrying out the computer’s functions
“DDR”	acronym for double data rate, a memory which can send data on both the rising and falling edges of the processor’s clock cycles
“DDR SDRAM”	acronym for double data rate synchronous dynamic random access memory, a class of memory integrated circuits used in computers
“DIMM”	acronym for dual in line memory module, a series of dynamic random access memory integrated circuits. These modules are mounted on a printed circuit board and designed for use in personal computers, workstations and servers
“DRAM” or “DRAM chip(s)”	DRAM is the acronym for dynamic random-access memory, a type of RAM that stores each bit of data in a separate capacitor within an integrated circuit (IC), and DRAM is sometimes referred to as DRAM chip(s)
“DRAM module(s)”	a series of DRAM chips mounted on a printed circuit board and designed for use in personal computers, workstations and servers
“ECC DIMM”	acronym for error correcting code dual in line memory module, the extra data bits which can be used by the system memory controller to detect and correct errors

DEFINITIONS & GLOSSARY

“EEPROM”	acronym for electrically erasable programmable read-only memory and is a type of non-volatile memory used in computers and other electronic devices to store small amounts of data that must be saved when power is removed
“EMC”	acronym for electromagnetic compatibility, which requires manufacturer of electronic devices to comply with international standards regarding emission of electromagnetic interference
“FCC”	acronym for the Federal Communications Commission. The FCC is an independent United States government agency, responsible for rating electromagnetic interference of computers, computer components, systems and other equipments before they are released into the market for sale
“flash memory”	memory that is “non-volatile,” meaning that unlike RAM, flash memory maintains data even if there is a loss of power
“Gb”	acronym for gigabit, a measurement unit for digital information storage or a unit of information used, for example, to quantify computer memory or storage capacity
“GB”	acronym for gigabyte, a measurement unit for digital information storage or a unit of information used, for example, to quantify computer memory or storage capacity
“GDP”	gross domestic product
“hardware”	mechanical devices, such as the central processing unit, monitor, modem, printers, disk drives that comprise a computer system and are capable of performing communication, computation and control functions
“ISO”	acronym for International Organisation for Standardisation, a series of international standards, including quality management and quality assurance standards published by the Universal Certification Service Co., Ltd, a non-government organisation based in Shenzhen, for assessing the quality systems of business organisations
“ISO 9001:2000”	A standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards

DEFINITIONS & GLOSSARY

The 2000 version also demands involvement by upper executives, in order to integrate quality into the business system and avoid delegation of quality functions to junior administrators. Another goal is to improve effectiveness via process performance metrics – numerical measurement of the effectiveness of tasks and activities

“ISO 9001:2008”

This version introduces clarifications to the existing requirements of ISO 9001:2000 and some changes intended to improve consistency with ISO 14001:2004

“ISO 14001:2004”

A standard under ISO for environmental management which is primarily concerned with what an organisation does to comply with legal requirements to minimise the harmful effects on the environment caused by its activities and which sets requirements for what an organisation must do to manage processes influencing the impact of its activities on the environment

“IT”

acronym for information technology, a broad subject concerned with aspects of managing, editing and processing information

“JEDEC”

JEDEC Solid-state Technology Association, an independent semiconductor engineering trade organization and standardization body which is responsible for setting the standards for data rates of Double Data Rate Synchronous DRAM

“Mb”

acronym for megabit, a measurement unit for digital information storage or a unit of information used, for example, to quantify computer memory or storage capacity

“MB”

acronym for megabyte, a measurement unit for digital information storage or a unit of information used, for example, to quantify computer memory or storage capacity

“MP3”

a specific digital audio encoding format using a form of lossy data compression. It is a common audio format for consumer audio storage, as well as a de facto standard of digital audio compression for the transfer and playback of music on digital audio players

“MP4”

a multimedia container format standard. It is most commonly used to store digital video and digital audio streams, especially those defined by moving picture expert group, but can also be used to store other data such as subtitles and still images

DEFINITIONS & GLOSSARY

“NAND flash”	a type of flash memory, where NAND stands for “not and,” which describes the logic gate circuit the memory uses
“ODM”	acronym for original design manufacturer, a business model that designs and manufactures a product which is specified and eventually branded by another company for sale
“OEM”	an original equipment manufacturer who manufactures products or components that are purchased by another company and retailed under that purchasing company’s brand name
“PC”	acronym for personal computer, a general-purpose computer for use by end-user with no intervening computer operator. A personal computer includes desktop computer, a laptop, a tablet PC, or a handheld PC
“PCB”	acronym for printed circuit board, used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate
“PCBA”	acronym for printed circuit board assembly, a printed circuit board populated with electronic components
“R&D”	acronym for research and development, a scientific work towards developing particular technologies
“RAM”	acronym for random-access memory, computer memory that can be read from and written to in arbitrary sequence in a very high speed and act as a means of temporary storage for computer and laptop
“RoHS”	acronym for restriction of hazardous substances directive, restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipments
“SMD”	acronym for surface-mount devices, an electronic device made from surface-mount technology
“SMT”	acronym for surface-mount technology, a method for constructing electronic circuits in which the components are mounted directly onto the surface of printed circuit boards

DEFINITIONS & GLOSSARY

“SMT production lines”	production lines constructing electronic circuits where components are mounted directly onto the surface of printed circuit boards. In the electronics industry it has largely replaced the through-hole technology construction method of fitting components with wire leads into holes in the circuit board
“SO DIMM”	acronym for small outline dual in-line memory module, a type of computer memory built using integrated circuits designed specifically for Laptops
“software”	computer program that instructs the operation of computer hardware
“SPD”	acronym for serial presence detect, data contained in a memory device to automatically access information about a computer memory module
“SSD” or “solid-state drive”	a data storage device that uses solid-state memory to store persistent data with the intention of providing access in the same manner of a traditional block input or output hard disk drive, many SSD use NAND flash based memory
“UDIMM”	acronym for unbuffered or unregistered dual in-line memory module, a RAM where there is no hardware register between the memory controller and the RAM chips
“USB”	acronym for universal serial bus, a plug-and-play interface between a computer and add-on devices designed for desktops which allows a new devices to be added to a computer without having to add an adapter card or having to turn the computer off
“USB flash drive”	a data storage device that includes flash memory with an integrated USB interface

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk factors” in this prospectus. We have made these statements with due care and have no reason to believe that the statements are not accurate. Potential investors of the Placing Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

Copies of this prospectus required by the GEM Listing Rules and the Companies Ordinance are available, for information purposes only, during normal office hours from 9:00 a.m. to 5:00 p.m. at the office of Haitong Capital from 30 August 2013 to 6 September 2013 (both dates inclusive).

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriter or any of our or their respective directors, officers or representatives or any other person involved in this Placing. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasized that none of us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriter, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

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You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Placing Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Our business operations are subject to fluctuations in the price of DRAM chips, an important component of DRAM modules and our key trading product

The principal types of raw materials and components used in the production of DRAM modules mainly include DRAM chips. DRAM chip is also our key trading product. For each of the two years ended 31 March 2013, the total amount of DRAM chip purchases were approximately HK\$376.4 million and HK\$330.7 million, respectively.

According to the iSuppli Corporation, the pricing of DRAM chips is overwhelmingly driven by the balance between supply and demand. Also according to the iSuppli Report, pricing has swung wildly over the past five years. There has been oversupply of DRAM chips during the years 2007 to 2009, which was largely due to excessive capacity ramping by DRAM chip manufacturers which led to steep pricing declines in DRAM chips. At the end of 2008, prices of DRAM modules dipped below manufacturing costs for certain less competitive DRAM chip manufacturers who then slashed production in order to preserve cash. The production of DRAM chips was then reduced and such reduction, coupled with a strengthening of the world economy in 2009 stopped the falling of the DRAM chip prices and supported its rise in the second half of 2009. The prices of DRAM chips kept on increasing during the first half year of 2010 primarily due to the limited supply and strong demand in the DRAM chip market. The economy continued to sputter in 2011 and DRAM chip manufacturers and DRAM chips again entered into an over-supply situation and prices declined throughout. According to the iSuppli Report, the DRAM chip pricing throughout 2012 became stronger which was primarily due to the more rational DRAM supply in the market. For further information relating the fluctuation of the prices of DRAM chips, please refer to the sub-section headed "Industry Overview – DRAM supply chain" in this prospectus. To the best of our Directors' information and knowledge, there was no material development in connection with the global economic crisis which resulted in fluctuation of the prices of DRAM chips after the Track Record Period and up to the Latest Practicable Date which had any material adverse effect on our business.

The demand, supply and prices of DRAM chips may fluctuate due to various factors, such as natural disasters occurred in Japan, Korea or Taiwan where the major global DRAM chips suppliers' operations are stationed. In March 2011, a serious earthquake and tsunami which subsequently led to the explosion of several nuclear reactors in the Tohoku region in Japan destructed thousands of lives, buildings and infrastructure in several prefectures in Japan. According to the iSuppli Report,

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the disaster in Japan had great impact on the wafer manufacturers in Japan. Wafer is a major raw material of DRAM chips and hence the shortage of wafer constituted one of the factors in support of the prices in DRAM chips in 2011.

Our revenue is mainly subject to the prices of DRAM chips. Our revenue may continue to fluctuate subject to the fluctuation of prices of DRAM chips in the future.

Further, as we may order DRAM chips from suppliers prior to receiving formal manufacturing or trading orders from customers, we may have to bear a portion of the burden arising from unfavourable fluctuations in the cost of certain raw materials passed on to us by our suppliers. Further, one of the most important factors affecting the prices of our DRAM modules and DRAM chips is the market prices of DRAM modules and DRAM chips which we have little influence on. In these circumstances, if we are unable to pass on any increase in raw material costs to our customers by increasing the selling price of our products or if we are not able to recover our costs from our customers when the prices of DRAM chips and modules decrease, our gross profit margins may be adversely affected.

Also, some customers may also change their specification of the expected orders after we purchase DRAM chips from our suppliers. During the year ended 31 March 2011, the price of DRAM chips experienced significant fluctuation and dropped since the third quarter of 2010. For instance, according to the iSuppli Report, the average selling price of the DRAM chips dropped from approximately US\$3.0 per GB in the second quarter of 2010 to approximately US\$1.7 per GB in the first quarter of 2011. Some customers cancelled certain orders placed with us in view of the significant drop in the price of the DRAM chips. Although after arms length negotiation with certain customers, we have entered into compensation agreements with the relevant customers to compensate the loss incurred by us in selling the relevant goods to the market and recorded compensation income of approximately HK\$8.7 million for the year ended 31 March 2011, we cannot assure you that we would be able to enter into similar compensation agreements when the prices of DRAM chips or DRAM modules drop.

For the DRAM chips which are not consumed for manufacturing, we would normally on-sell them to our customers after taking into account the market demand, market price and profit margin of the DRAM chips. For each of the two years ended 31 March 2013, we recorded gross profit margin for our trading business of 11.0% and 10.1%, respectively. However, there is no assurance that we can trade the DRAM chips at a profit given the volatile changes in the prices of the DRAM chips. If we are unable to sell the DRAM chips at a profit, our overall gross profit margin may be adversely affected. As a result, our results of operations and financial condition may be adversely affected. For each of the two years ended 31 March 2013, we recorded a provision in relation to net realisable value (with reference to the market value of goods) and inventory obsolescence of approximately HK\$0.7 million and HK\$1.7 million, respectively.

For reference purpose, the following table sets out a sensitivity analysis of the effect of the fluctuations of the prices of DRAM chips during the Track Record Period, assuming no change of sales volume, gross profit margin and other expenses. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the effect on the increase or decrease of our cost

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of goods sold with a 48% increase or decrease of DRAM chip price, representing the maximum fluctuation of DRAM chip price during the Track Record Period based in iSuppli Corporation.

Decrease or increase in cost of goods sold		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
% change in cost of DRAM chips	+/- 48%	175,892	199,781

To illustrate the potential effect on our revenue and net profit, the following table sets out the sensitivity analysis of the effects of DRAM chip price movement.

Decrease or increase in turnover		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Price of DRAM chips increased by 48%		206,086	228,684
Price of DRAM chips decreased by 48%		(190,870)	(218,403)

Decrease or increase in net profit		Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Price of DRAM chips increased by 48%		25,212	24,134
Price of DRAM chips decreased by 48%		(12,507)	(15,549)

Notes:

The above analysis is made by relying on the following assumptions:

1. No change in our existing sales volume;
2. No change in our gross profit margin;
3. All other expenses including cost of production, operating expenses, finance expenses and taxation remain unchanged;
4. Any force majeure events or unforeseeable factors that are beyond our control are not accounted for;
5. We are able to adjust upward the mark-up percentage when raw material prices drop to ensure that we maintain the gross profit margin.

The above analysis is for reference only and based on above assumptions and should not be viewed as actual effects.

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The following breakeven analysis shows the minimum sales volume of our self-manufactured DRAM modules to cover our other costs, assuming all other factors and costs remain the same:

	For the year ended 31 March	
	2012	2013
Minimum sales volume of our self-manufactured DRAM modules (unit)	911,038 [#]	Not applicable*

Notes:

- * We would still record net profit for the year ended 31 March 2013 after excluding the gross profit attributable to the sale of our self-manufactured DRAM modules, assuming the gross profit margin of our self-manufactured DRAM modules equals to the gross profit margin of our manufacturing business.
- # For the purpose of this breakeven analysis, the incidental gain on disposal of property, plant and equipment attributable to the net profit during the year ended 31 March 2012 was excluded.

The above analysis is made by relying on the following assumptions:

1. The selling price of all DRAM modules is the same during the respective reporting period;
2. All costs of DRAM modules are variable costs and are the same during the respective reporting period;
3. All other expenses including cost of production, selling expenses, general and administrative expenses, finance costs and income tax expense remain unchanged;
4. The gross profit margin of our self-manufactured DRAM module was the same as the gross profit margin of our manufacturing business, which was 9.4% and 9.1% for each of the two years ended 31 March 2013, respectively;
5. The effect of other business, such as the manufacturing business of USB flash drives and others, trading business and assembling services were held unchanged; and
6. Any force majeure events or unforeseeable factors that are beyond our control were not accounted for.

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Our Track Record Period may not be a reliable indicator for our financial performance in the future and we recorded thin net profit margin

Our results of operations have varied in the past and may fluctuate significantly from period to period in the future subject to various factors. Our revenue increased by approximately 10.8% from approximately HK\$461.7 million for the year ended 31 March 2012 to approximately HK\$511.8 million for the year ended 31 March 2013.

Our gross profit amounted to approximately HK\$49.8 million for the year ended 31 March 2013, representing an increase of approximately 8.8% as compared to that for the previous year. We recorded gross profit of approximately HK\$28.2 million and HK\$17.0 million from our manufacturing business, representing a gross profit margin of approximately 9.4% and 9.1% for each of the two years ended 31 March 2013, respectively. We recorded gross profit of approximately HK\$17.6 million and HK\$32.8 million from our trading business, representing a gross profit margin of approximately 11.0% and 10.1% for each of the two years ended 31 March 2013, respectively.

For the reasoning of the above fluctuation, please refer to the section headed “Financial Information” in this prospectus. Our financial performance is affected by various factors, including among others, the market prices in DRAM chips and DRAM modules which are affected by demand and supply of the DRAM chips, the evolvement of computer market which may lead to changes in consumer demand and global economy which are beyond our control. For example, according to iSuppli Corporation, there has been oversupply of DRAM chips during the years 2007 to 2009, which was largely due to excessive capacity ramping by DRAM chip manufacturers which led to steep declines in the price of DRAM chips. The ability of our management to forecast the market prices and manage the losses or gain from the fluctuation in the market prices in DRAM chips and DRAM modules, and our ability to retain existing customers and attract new customers, will affect our financial performance. If our management fail to manage the losses or gains from the fluctuation in the market prices in DRAM chips and DRAM modules, retain existing customers and/or attract new customers, our net profit may be adversely affected.

Other than the fluctuation in the price of DRAM chips, various non-recurring items were recorded during the Track Record Period. Such items include, among others, (i) a compensation income of approximately HK\$3.1 million from a supplier for supplying raw materials that fell short of specification for the year ended 31 March 2012 and (ii) a gain on disposal of property of approximately HK\$59.8 million for the year ended 31 March 2012, which represented approximately 78.2% of the net profit for the year. We recorded thin net profit margin after adjustment of gain on disposal of property, plant and equipment of approximately 3.6% and 3.5% for each of the two years ended 31 March 2013, which may fluctuate in the future due to various factors mentioned above.

As a result, our Track Record Period may not be relied on to serve as an indicator for the future financial performance of our Group.

RISK FACTORS

We are subject to various risks relating to Third Party Payments

Certain customers (our debtors) (“**Relevant Customers**”) settled our payments through third parties (“**Third Party Payors**”) via banks (“**Third Party Payments**”). During the Track Record Period, there were five Relevant Customers who settled certain of their payables to us, four of which were entities set up in the PRC and one of which is a company incorporated in Hong Kong. The aggregate amounts settled through Third Party Payors by the Relevant Customers were approximately HK\$104.0 million and HK\$45.3 million for each of the two years ended 31 March 2013 respectively, representing approximately:

- (a) 21.6% and 8.6% of the total sales receipts of our Group for the corresponding periods; and
- (b) 65.7% and 20.1% of the total sales receipts of our Group generated from the Relevant Customers for the corresponding periods.

The Third Party Payments may be subject to various risks, such as (i) possible claims from Third Party Payors for return of funds as they were not contractually indebted to our Group, (ii) possible claims from liquidators of the Third Party Payors and (iii) money laundering risk.

Given there is no contractual relationship between the Third Party Payors and us, the Third Party Payors may claim against us for return of funds. There may also be possible claims from liquidators of the Third Party Payors if the Third Party Payors became insolvent and were presented a winding up petition or a bankruptcy petition. In case of compulsory liquidation of a company or a bankruptcy of an individual commenced in Hong Kong, the liquidator would look into the circumstances that the payments of the Third Party Payor were made. Dispute may arise when the liquidator considers the payments made by the Third Party Payor (within six months prior to date of presentation of the winding up or bankruptcy petition, and such period is extended to two years for payments made to the associates of the Third Party Payor) are susceptible to constituting an unfair preference to other creditors of the Third Party Payors under sections 266 to 266B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or sections 50 to 51B of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong). None of the members of our Group was an associate of any Third Party Payors.

As advised by the Hong Kong Legal Advisers, we may be subject to money laundering risks should we suspect that the settlement arrangement involves proceeds of, or was used in connection with, an indictable offence or drug trafficking or represent funds used to commit terrorist acts under the Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) respectively. In the event that such suspicion arises, we must disclose that suspicion to a Hong Kong police officer or member of the Hong Kong Customs & Excise Department (as the case maybe). To the best information and knowledge of the Directors, there have been no suspicious transactions identified during the Track Record Period and up to the Latest Practicable Date.

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For further details of the Third Party Payments, please refer to the sub-section headed “Business – Sales and Marketing – Certain settlement arrangements through third party payors”.

We rely on third party suppliers to supply quality raw materials and components

According to the iSuppli Report, there are only a handful of DRAM chip manufacturers and the top five players produced approximately 97.1% of all the DRAM chips shipped in 2012. Most DRAM module manufacturers source DRAM chips from DRAM chip manufacturers for production of DRAM modules and these DRAM module manufacturers who do not produce the DRAM chips are referred to as “third-party DRAM module manufacturers” or “third-party manufacturers of DRAM modules”. We are one of the third-party DRAM module manufacturers. Also according to the iSuppli Report, when the DRAM chip market enters a supply shortage, it would be difficult for third party module manufacturers to procure the type of DRAM chip they desire. Stable supply of quality DRAM chips would be one of the keys to success of our business.

For each of the two years ended 31 March 2013, aggregate purchases from our five largest suppliers accounted for approximately 60.3% and 66.9%, respectively, of our purchases, and purchases from our largest suppliers accounted for approximately 22.2% and 39.2%, respectively, of our purchases. We do not enter into long-term agreements with our suppliers. Therefore, if one or more of our key suppliers demand higher prices from us on short notice, there is no assurance that we would be able to locate an alternative supplier who can provide quality and reliable raw materials and components and who would be willing and able to supply the quantity we require at a more favourable price in time to meet our orders.

Further, if our suppliers fail to provide quality goods or raw materials fall short of our specification, it would affect the quality of products to be delivered to our customers, and our reputation may also be adversely affected.

The markets for our products are highly and increasingly competitive

The industry in which we operate is highly competitive worldwide and increasingly characterised by frequent introduction of new designs, short product life cycles, quick response to customers’ preference and market trend of DRAM modules as well as personal computers and servers, increasing demand for quality products and price sensitivity. Some of our competitors may have longer track records and greater financial and other resources to invest in research, development and marketing of their products to increase their competitiveness. Our Directors envisage that the selling price of our products and revenues generated by our products may also be driven down due to intense competition. There can be no assurance that we can continue to compete successfully in the future or we are able to maintain our profit margin or sustain our market share. If we are not able to design or introduce to the market DRAM modules with the latest design and specifications which are compatible with prevalent personal computer or server models as quickly as other market players, or if we fail to expand our product portfolio and maintain competitive prices, or if the number of competitors increases substantially, or if the service quality of other market players improves significantly, or the commercial terms that our competitors could offer are more competitive, our operating results, financial condition, profitability and prospects will be materially and adversely affected.

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According to iSuppli Corporation, there are only a few major DRAM chips manufacturers globally and the prices of DRAM chips fluctuate. To the best information and knowledge of our Directors, players in the third party DRAM module industry keep stock of DRAM chips and DRAM modules with different specifications from time to time. One player could have stock with particular specification which is needed by others. We source our DRAM chips through various channels, including, but not limited to, the agents of DRAM chips manufacturers, distributors and sometimes other sellers of DRAM chips or DRAM modules who are also our customers. On the other hand, some of our suppliers may also purchase goods from us if we have stock with specification that they are in need of. Both of our customers and suppliers may be in the same industry and compete with us. If we fail in our competition with our customers or suppliers, or our relationship with our customers and suppliers are ruined during the competition, our business and financial performance may be adversely affected.

Our Group may be subject to potential product liability

We are exposed to inherent risk of product liability claims due to product defects such as failure to perform to the product's specifications. In the event that the products developed and sold by our Group contain any defects which adversely affect the quality of our products or the overall performance of the computer products to which our products are installed by our customers, we may incur additional costs to rectify these defects or undergo product recalls which could result in substantial and unexpected expenditure. Under these circumstances, we may face decrease in our operating profit. If our products are proved to be defective and result in losses to our customers, we may be exposed to product liability claims in the PRC or other jurisdictions in which our products are sold. As a result, we may be required to incur substantial costs to defend any legal proceedings and/or claims brought against our Group and may divert substantial human resources and financial resources in handling such proceedings. If our defence against such legal proceedings and/or claims turn out to be unsuccessful, we may be liable to pay substantial amount of damages.

Any of such product recalls or product liability claims regardless of their results could cause damage to our established customer relationships, business, reputation and profitability of our Group. There is no guarantee that our available insurance coverage could sufficiently cover or compensate any of such losses or damages nor could we assure you that we will be able to reinstate our customer relationship, business, reputation and profitability of our Group to the same level as that before any of such product recalls or product liability claims.

Failure of our quality control systems at our Group's facilities could have a material adverse effect on our business and operations

Our quality control system may fail to detect defective products or products which fail to meet our customer's specific requirements. We will rework on these products to the extent possible but this may be time-consuming and expensive to correct. It is therefore possible that such defects may result in the loss of sales, delays in our collection of receivables, increased production costs and slowing down in the production process for other purchase orders, all of which may temporarily affect the operation and production flow of our business.

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If we are unable to maintain key members of our management, our growth and future success may be impaired and our financial condition could suffer

We believe that our continued success, growth and ability to expand our operations depend on a significant degree upon the continued efforts, contribution and abilities of our executive Directors and key managerial and technical employees, in particular Mr. George Lu, our executive Director and Chairman, possesses more than ten years of experience in management of DRAM module business. Losing services of these key personnel could affect our business operation. Our Directors believe that these persons possess the relevant knowledge and requisite expertise which are essential to our business and our Group's future development, and our business depends on our ability to attract and retain these members of the senior management and skilled employees, in particular those who are skilled in product design and development of new products and processes. However, the competition for such personnel is intense, and any failure to retain these key personnel or attract such personnel may affect our business operations, financial performance and future prospects of our Group.

If any of our executive Directors or members of the senior management is unable or unwilling to continue in this present position, we cannot assure you that we will be able to replace him/her easily with people who have similar knowledge, skills and experience. We may have to incur additional expenses to recruit, train and retain personnel and may not be able to achieve our strategic objectives at a similar cost.

Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus and the paragraph headed "Further Information about our Directors, Management, Staff and Substantial Shareholders" in Appendix V headed "Statutory and general information" to this prospectus for details of the past working experience of our executive Directors and their service agreements with our Company, respectively.

In addition, any form of labour disruptions may cause adverse impact on our Group's operation and in turn may result in delay in production and delivery of our products and adverse impact on our financial performance. We cannot guarantee that there will not be any labour disruptions in the future.

Our production facilities rely on adequate and steady electricity supply, failing which could harm or disrupt our operations

Our revenues are dependent on the continued operations of our production facilities in Shenzhen, the PRC. Any significant disruption in the supply of utilities could result in an interruption or delay of our operations.

We generally rely on city power supply for our production and other operating processes. We cannot assure you that we will always have adequate power supply to meet our production needs and will not suffer from or be affected by blackouts or a shortage of electricity in the future. Any prolonged interruption to the operation of our Group's production facilities due to shortages in electricity supply may have a material adverse effect on our Group's profitability, business and reputation. During the Track Record Period and up to the Latest Practicable Date, there has been no interruption of our operation due to disruption of utilities supply.

RISK FACTORS

Our production and research and development facilities are all located on leased properties and therefore, we may be subject to relocation

We do not own the land or premises at which our production and research and development facilities are situated as we have only entered into leased agreements with a landlord. For details of the properties leased and occupied by us are set out in the property valuation report prepared by our property valuer, attached as Appendix III to this prospectus. Although the current provision of the lease agreement only expires on 31 December 2016, we cannot assure you that the lease agreement will be extended upon expiry of its terms on terms and conditions acceptable to us or the landlord may revoke the lease agreement during the term of the lease agreement for factors which are beyond our control. Under these circumstances, we are subject to relocation. If we fail to renew the lease agreements or the landlord terminates the lease agreement, we will have to locate new land and/or properties to accommodate our production and research and development facilities and we may or may not be able to locate new land and/or properties which are suitable for our business and are on favourable terms. Any such failure to renew the lease agreements or locate new land and/or properties may adversely affect our results of operation, business and prospects.

Our production machineries are subject to breakdown

We rely heavily on the use of machineries for our production. Such machineries may breakdown in the course of our ordinary use. Any failure or substandard performance of our machinery could result in an interruption or delay of our operations. We cannot assure you that we could find replacement which could offer similar level of performance or obtain maintenance services from external vendors in a timely manner in the event of machine breakdown. Our production may be adversely affected and significant financial resources may be spent on such replacement or maintenance, which may in turn adversely affect our business and financial condition.

Our business may be adversely affected by inadequate protection of intellectual property rights and/or claims by third parties for possible infringement of their intellectual property rights

We believe that our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include the trademarks for our GoldenMars brand. We depend, to a significant extent, on Hong Kong and PRC laws to protect our trademarks, patents or other intellectual property rights. There is no assurance that third parties will not infringe our intellectual property rights such as through the production and sale of counterfeit products. There is no assurance that we will always be able to identify cases of infringement or potential infringement of our intellectual property rights. If there are counterfeits of our branded products on the market, the image of our brands and our reputation as to quality may be adversely affected. Further, our efforts in enforcing or defending our intellectual property rights may not be adequate, and enforcing or defending such rights may require significant attention from our management team and may be costly. The outcome of any legal action to protect or safeguard our intellectual property rights may adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Third parties, including our competitors, may believe that our products have infringed their intellectual property rights and initiate legal proceedings against us. If any legal proceeding against us for infringement of intellectual property rights is successful, we may be ordered to cease carrying on such infringing behaviour. Intellectual property litigation against us may have a material adverse impact on our business and results of operations.

We rely on certain major customers

For each of the two years ended 31 March 2013, our largest customers accounted for approximately 15.9% and 19.9% for our total sales, respectively, while our aggregate sales to our top five customers accounted for approximately 61.2% and 59.7% of our Group's total revenue, respectively.

If any of our major customers substantially reduces its orders or terminates its business relationship with us or the products prices decrease, there is no assurance that we will be able to make up for the decrease in business by obtaining orders of similar volumes or at all from other customers.

Also, four and seven of our top ten customers are also our suppliers for each of the two years ended 31 March 2013. Sales to the top ten customers who were also suppliers attributed to approximately 42.4% and 61.0% of the total revenue for each of the two years ended 31 March 2013, respectively. The amount of purchases from the top ten customers who were also suppliers attributed to approximately 18.5% and 14.4% of the total purchases for each of the two years ended 31 March 2013, respectively. For further details, please refer to the sub-section headed "Business – Sales and Marketing – Our customers – Overlapping of customers and suppliers" in this prospectus.

If any of our major customers substantially reduces its orders or terminates its business relationship with us, those of them who are also our suppliers may also stop supplying goods to us and our business, financial performance and profitability may be adversely affected.

Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries

Our Company is a holding company and our results of operations and financial position are entirely dependent on the performance of the members of our Group. Our Company's ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which our Group has operations.

Goldenmars HK and Top Harvest, our subsidiaries, declared approximately HK\$35.4 million and HK\$59.9 million dividends to their then shareholders on 31 January 2011 and 31 May 2011, respectively. The principal source of funding for such dividend payments was from the cash inflow generated from our Group's operations and from the profit generated from the disposal of the property at House 2, 56 Repulse Bay Road, Repulse Bay, Hong Kong and car parking space no. P41 thereat. Our Group made payment of dividends based on the business and financial results of our Group's subsidiaries as well as interests of our then shareholders. There is no assurance that dividends of similar

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amounts or at similar rates will be made in the future and the past dividends referred to above should not be used as a reference to our Company's dividend policy, nor as a basis to forecast the amount of dividends payable in the future. Furthermore, our Company's rights to participate in a distribution of our subsidiaries' assets upon their liquidation, reorganisation or insolvency are generally subject to prior claims of our subsidiaries' creditors.

Global economic crisis could have a material adverse impact on our results of operations, financial condition and cash flows

The global economic crisis in 2008 adversely affected economies in the United States, Europe and other developed countries. Notwithstanding that the government of these countries as well as many other countries have adopted flexible macroeconomic policies aimed at offsetting the slowdown brought about by the financial crisis, the growth of overall economy of these countries have been severely impacted. Such economic crisis has also caused financial institutions to tighten their lines of credit and reduce their level of lending to borrowers. We cannot assure you that we will be able to secure new facilities on terms favourable to us or at all, failing which will have an adverse impact on our business, cash flow and financial position.

Furthermore, our operation, business and financial condition may be adversely affected in a number of ways, including:

- our customers may experience financial difficulties, such as bankruptcy, insolvency or other credit failure, in which case they may therefore not be able to purchase our products at similar volumes or prices or at all or to meet their financial obligations to us or they will delay in making payment to us;
- our customers may seek to reduce discretionary spending by delaying or foregoing their purchases of our products and computers which are equipped with our products;
- our suppliers may experience deterioration of their financial condition, such as bankruptcy, insolvency or other credit failure, in which case they may be forced to shorten their credit terms granted to us in view of the tightening of cashflow, or they are not able to meet their delivery obligations in a timely manner or at all;
- financing or other sources of liquidity may not be available on acceptable terms or at all.

The global economic outlook remains uncertain. There is no assurance that the global market conditions will improve or if they improve, they will not deteriorate again. Any continual weakness in the global economy could be expected to result in lower demand for some of our products and expose us to credit risk from customers in the industries most affected by the weak economy.

Upon Listing, the price and trading volume of our Shares may likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Moreover, these recent and developing economic and governmental factors may have a material adverse effect on our results of operation, financial condition or cash flows and could cause our Share price to decline or fluctuate significantly, and you may lose a significant portion of your investment.

RISK FACTORS

Inventory obsolescence may affect our Group's profitability and financial results

We believe that the DRAM module industry is evolving and the demand and preference of customers and the market trend are ever-changing. Like other players in the industry, we may be exposed to a risk of inventory obsolescence due to rapid changing technology and customer requirements. Any inventory obsolescence may require us to make adjustments to write down our inventory to the lower of cost or net realisable value, and our operating financial results and financial condition may be adversely affected.

In addition, we estimate our sales orders based on our sales forecast and past experience with our customers. Our sales forecast is mainly based on the oral indication of the volume and specification of DRAM modules to be ordered by our customers. With reference to these sales forecast, we typically place orders for certain raw materials and components, in particular DRAM chips, with our suppliers prior to receipt of formal purchase orders issued by our customers. If we fail to estimate correctly the demand from our customers, we may misallocate resources, rendering, among other things, excessive raw materials or components to meet the level of purchase orders lower than expected, and in which case the raw materials or components may become obsolete and our Group's profitability and results of operation may be adversely affected. For the year ended 31 March 2012, we made provision for net realisable value of inventories of approximately HK\$0.3 million and provision for inventory obsolescence of approximately HK\$0.4 million. For the year ended 31 March 2013, we made provision for inventories obsolescence of approximately HK\$1.7 million.

We may not be able to sustain our gross profit and gross profit margin

For each of the two years ended 31 March 2013, the gross profit achieved by our Group was approximately HK\$45.8 million and HK\$49.8 million respectively and the gross profit margin achieved by our Group was approximately 9.9% and 9.7% respectively.

We cannot assure you that we will be able to maintain our gross profit and gross profit margin at similar level in the future as those for the Track Record Period, or that we will not experience any fluctuations in our gross profit and gross profit margins in the future, in such cases the financial results of our Group will be adversely affected.

RISKS RELATING TO OUR INDUSTRY

DRAM module market may shrink due to the rise of tablet and ultrathin PCs and we rely on the computer industry

According to the iSuppli Report, the rise of tablet (iPad and similar) and ultrathin PCs (Ultrabooks and similar) is a large potential restraint on DRAM modules. Tablets are designed for portability first and foremost, and in order to accomplish this satisfactorily, power consumption is a priority. This is accomplished by using low-power DRAM (mobile DRAM) and a dedicated mobile processor. This would have an adverse impact on third-party module manufacturers as this custom memory arrangement is designed-in and does not use a standardized DRAM module that we produce. Further, DRAM chip

RISK FACTORS

manufacturers do not produce mobile DRAM chips speculatively like traditional DRAM chips. This greatly limits the availability of mobile DRAM chips in the open market. If the growth of tablets PC market continues and eats into lower-end PCs and leads to the shrinking of DRAM module market, our ability to sell our DRAM modules would be adversely affected.

Also, according to iSuppli Corporation, the DRAM module growth will be stagnant as consumers are expected to continue to shift from desktops to laptops or ultrathin PCs for the next few years where upgrades are not as frequent. The vast majority of ultrathin PCs coming to market are without DRAM modules, instead soldering the DRAM chips directly onto the motherboard. On the other hand, new operating systems do not require upgrades in DRAM chips as much as before which will result in a slowdown in average content for personal computers and upgrades in the upcoming years. This trend poses risks for third party DRAM module manufacturers.

A majority of our products are ancillary to computer industry. The results of our Group are relying and will continue to rely on the demand of computers. Any substantial fluctuations, short term or long term, in the demand for, changes in preference and market conditions for computers may cause similar fluctuations in the demand for our products, which in turn may adversely affect our Group's financial condition and profitability.

Our sales of export products may fluctuate and may drop if our export products become subject to anti-dumping measures and countervailing duties

We export our products to various jurisdictions, including among others, the US and Europe. Some of the countries to which we export our products may impose anti-dumping duties on products exported from another country if their governments decide such exported products are being sold (i) at less than the producers' sale prices in the home market, or (ii) at prices that are lower than their production costs. Some of the countries to which we export our products may impose countervailing duties on products imported from another country for the purpose of offsetting the negative effects of subsidies provided by the governments of the exporting countries on the products that are found to be hurting domestic producers. For example, the US and the EU have, in the past, imposed countervailing duties on memory chips and DRAM modules manufactured and/or imported from Korea. We avoided exporting DRAM modules composed of memory chips sourced from Korea to the US and the EU and will also do so if similar duties are imposed again on DRAM chips and DRAM modules manufactured in and/or imported from Korea in the future.

For each of the two years ended 31 March 2013, revenue from our export sales (sales to places other than the PRC and Hong Kong) accounted for approximately 34.8% and 18.4% of our total revenue, respectively and revenue from sales to our customers in Americas and Europe accounted for approximately 14.7% and 5.6% of our total revenue, respectively. To the best of our Directors' information and knowledge, none of our products exported overseas have been imposed of any anti-dumping or countervailing duties.

We cannot assure you that the countries to which we directly or indirectly export our products will not initiate trade protectionist measures in the form of anti-dumping duties, countervailing duties, taxes, trade laws, tariffs and regulatory requirements against our products in the future. In the event that there is an anti-dumping measure or other trade sanctions imposed on our exported

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products by overseas countries, prices of our products exported to such countries could be increased, which in turn could result in a loss of our competitive advantage. Consequently, our export sales and profitability may drop, and hence adversely affect our business, financial condition, results of operations and prospects.

If our Group fails to keep pace with technological transition and changes, industry standards and customers' requirements and preference, its business, financial position and results of operation may be adversely affected

Our Group operates in a market which is characterized by industry standards, customers' requirements and preferences and in particular rapid changes in technology. According to the iSuppli Report, PC chip-sets and memory chips need to be paired in harmony with each other. Intel has moved to processors that generally only run with DDR3 DRAM technology. It is expected that DDR3 should remain dominant in the market through 2014. iSuppli Corporation further forecasts that DDR4 will become major form factor in 2015. DRAM module manufacturers need to consistently be aware of processor-producers' road-maps and technology transitions in order to procure the appropriate technology DRAM chips and offer appropriate DRAM modules to the customers. Changes in technologies may render certain of our products obsolete. Our Group's ability to anticipate changes in technology, to adapt to evolving industry standards, customers' requirements and preferences and to develop and introduce new and enhanced products successfully on a timely basis is crucial to its ability to grow and to remain competitive.

There is no assurance that our Group will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete. Our Group is also subject to the risks generally associated with new product introductions and applications, including delays in new product development. We cannot assure you that we will be able to continue to successfully develop new products through our research and development efforts or that we will be able to keep pace with technological changes and customers' requirements and preferences in the market.

Our Group's revenue may be subject to seasonal fluctuations

Our Group's revenue may be subject to seasonal fluctuations. The traditional peak season for DRAM modules is the third and the fourth quarters of each year. This may be due to an increase in demand for DRAM modules by our computer manufacturers in preparation for sale of computers on or around the term times at schools or traditional peak seasons such as Christmas and Lunar New Year for purchase of desktops and laptops. Our revenue during the Track Record Period did not accord much to such pattern, which may be, to the best of our Directors' information and knowledge, due to a number of factors such as popularity of personal computers and timing for the transition of technology of upgraded DRAM modules. We however cannot assure you that our sales will not be affected by the traditional seasonal fluctuation in the future.

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In addition, during peak seasons we may not have the production capacity to meet our customers' demands. As a result, our ability to plan our production may be affected and our profit margins may decrease. Conversely, during off-peak seasons, we may not be able to fully utilise our production capacity and as such our cost of sales per product may increase due to the inability to fully utilise our production capacity. As such, seasonality in the demand for DRAM products may also have an adverse impact on our production planning and profit margins.

Our failure to compete effectively in the design and quality of our products could result in loss of customers, which could have an adverse effect on our Group's result of operations

We face competition from a number of domestic and foreign companies in the industry which may have more financial resources and research and development and marketing capabilities. The pressure that our Group faces, like other players in the market may principally come from, (a) our existing competitors which continue to improve the design and quality of their products, to seek reduction in price and to introduce new products with superior technology, or which are able to adapt to the ever-changing market trend, and (b) our existing and prospective customers which constantly review the merits of our products. If we fail to maintain our competitive edges in terms of the design, quality and pricing of our products, we may experience loss of our existing customers or difficulty in establishing new customer relationship, which in turn cause an adverse impact on our business, financial condition and prospectus.

Our results of operation may be adversely affected by environmental and safety regulations to which our Group is subject

Our Group is required to comply with the environmental and safety laws and regulations in the PRC as well as international environmental and safety regulations and standards applicable to our customers and products. These laws and regulations require us to adopt effective measures to control and properly dispose of waste water and other environmental pollutants. We could be exposed to penalties, fines, suspensions or actions in other forms if we fail to comply with these laws and regulations. In some instances, such a fine or sanction could be material. The environmental and safety laws and regulations in the PRC or other jurisdictions may be amended from time to time and changes in those laws and regulations may cause us to incur additional financial resources and divert management attention in order to comply with the more stringent rules. Under these circumstances, our production costs could increase and we may lose our business with certain customers, which may cause decrease of our market share and materially and adversely affect our business, financial condition, results of operations and prospects.

There is no assurance that our research and development capabilities will be able to support changes in technical requirements which could be required as a result of the changes to environmental and safety laws and regulations. There is also no assurance that our Group can at all times be in complete compliance with such laws, regulations, approvals and permits.

RISK FACTORS

The anticipation of slowing growth trend for DRAM modules may adversely affect our operating results and financial performance

According to the iSuppli Report, although the volume of total DRAM module shipped in the global market will increase in the next five years, the corresponding year-over-year growth will be slowing down. There is no assurance that the industry will continue to grow in the future. The industry in which we operate may experience slower growth in the future due to the effects of, among other things, government policies and development of superior technology which may substitute our products or render our products obsolete. If these events occur, our business, financial condition and prospects may be adversely affected.

RISKS RELATING TO THE PRC

A majority of our Group's production activities are located in the PRC. Accordingly, the results of operations, financial position and prospects of our Group are subject, to a significant degree, to the economic, political and legal developments of the PRC.

Political and economic policies of the PRC government could affect our Group's business

Before its adoption of the economic reforms and open policy in late 1970s, China had been primarily a planned economy. With the commencement of the PRC government's effort to reform the Chinese economy in 1978, the PRC government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. Although the PRC government still owns a significant portion of the productive assets in China, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation.

Although our Directors anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bring positive effect on our overall and long-term development, any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With most of our Group's production facilities in China, our operation and financial results could be adversely affected by any stagnation in the development of the DRAM module market in the PRC. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operation.

RISK FACTORS

Our business operations may be subject to acts of God, acts of war and epidemics or pandemics which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics or pandemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some cities in the PRC are under the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts. For instance, a severe snowstorm hit the southern part of the PRC, in particular, Yangtze River Delta in January and February of 2008, resulting in a breakdown of the transportation system in the southern part of the PRC and loss of agriculture products in the said areas. In May and June 2008, a serious earthquake and its successive aftershocks hit Sichuan, leading to a tremendous loss of lives and injury and destruction of assets in the region. In April 2009, a H1N1 Swine Flu broke out in Mexico and spread globally, resulting in loss of lives and widespread fear. In March 2011, a serious earthquake and tsunami which subsequently led to the explosion of several nuclear reactors in the Tohoku region in Japan destroyed thousands of lives, buildings and infrastructure in several prefectures in Japan.

Our business, results of operations and financial condition may be adversely affected in a material respect if such natural disasters occur in the PRC. Certain areas of the PRC, including Shenzhen, are susceptible to epidemics, such as SARS or swine or avian influenza. A recurrence of SARS, an outbreak of swine or avian influenza, or any epidemic, in the PRC, may result in material disruptions to our operations or a slowdown of the PRC's economy, which may materially and adversely affect our business, financial condition and results of operations. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our distribution channels and/or destroy our markets, which may materially affect our sales, costs, overall financial condition and results of operations. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

The prices of our raw materials, such as DRAM chips, may increase if such disasters occur in Japan, Korea or Taiwan where the major global DRAM chip manufacturers operations or the suppliers of these DRAM Chip manufacturers are stationed. Regarding the possible impact of the disasters in Japan occurred in 2011 on the prices of raw materials, please refer to the paragraph headed "Our business operations are subject to fluctuations in the price of DRAM chips, an important component of DRAM modules and our key trading product" and "We rely on third party suppliers to supply quality raw materials and components" in this section of the prospectus.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent or predictable as in the other more developed jurisdictions.

RISK FACTORS

Interpretation and enforcement of the PRC laws and regulations, including those regulating the DRAM module industry and foreign investments may be subject to changes in policies and political environment. Different regulatory authorities may have different interpretation and enforcement of the DRAM module industry policies and foreign investment policies, which requires companies to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industry we are currently engaged in. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding the DRAM module and flash memory product industry and foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system is kept abreast of economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and amendments to existing laws by the PRC government may not adversely affect our profitability and prospects.

For details of the PRC laws and regulations to which our Group is currently subject, please refer to the section headed "Regulations".

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("FIEs") are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment, is permitted to be made in foreign currencies without prior government approval but is subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

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Furthermore, in 2005, China revalued the exchange rate of the RMB to the US dollars and abolished the RMB to peg as applied in the past. We cannot assure you that in the future China will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industry in which our Group operates, which could in turn affect the financial condition and operations of our Group.

If in the future an increasingly significant portion of our revenues are to be generated in the PRC and therefore denominated in RMB, such future restrictions on currency conversion may also limit our ability to repatriate profits generated from this new business venture for the distribution of dividends to our Shareholders or for funding our other business activities outside the PRC.

The recent financial crisis has adversely affected the United States, the European countries and other world economies. As the financial crisis has broadened and intensified, a significant depreciation of the US dollars may be expected. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate or the value of US dollars may lead to an unfavourable exposure to foreign exchange losses, which could in turn materially and adversely affect our financial condition and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries, in particular our principal operating subsidiaries in Hong Kong and in the PRC.

Under the PRC laws, dividends from our subsidiaries in the PRC may only be paid out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to governmental approval and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

RISK FACTORS

Our operations may be subject to transfer pricing adjustment by competent authority

During the Track Record Period, our Group primarily manufactured its products through Bodatong Shenzhen, who sold most of the finished goods to Goldenmars HK for onwards sales to our customers. When Goldenmars HK receives purchase orders from its customers, it will channel the relevant purchase orders to Bodatong Shenzhen, our manufacturing arm in the PRC. Most finished products manufactured by Bodatong Shenzhen are then sold to Goldenmars HK who then on-sells the finished products to our customers. Our Directors confirmed that the relevant intra-group services were conducted on normal commercial terms. Pursuant to the New Enterprise Income Tax Law and its implementation rules and the Implementation Regulations for Special Tax Adjustments (Trial)* (《特別納稅調整實施辦法(試行)》), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related parties transactions. Given Goldenmars HK and Bodatong Shenzhen are indirect wholly-owned subsidiaries of the Company, transactions between these parties are regarded as related parties transactions. According to the New Enterprise Income Tax Law and the Implementation Regulations for Special Tax Adjustments (Trial)* (特別納稅調整實施辦法(試行)), related parties transactions should comply with the arm's length principle (獨立交易原則); and if the failure of compliance with such principle results in reducing the income or taxable income of the enterprise or its related parties, the tax authority has the power to make an adjustment in accordance with reasonable methods. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing contemporaneous documents: (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are covered under an effective advance pricing arrangement; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties. However, according to the Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions (Letter No. 363 [2009] of the State Administration of Taxation), if a PRC enterprise, which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto, encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or not, it would need to prepare the relevant information and file the same with the relevant tax authority before 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities. As advised by our PRC Legal Advisers, given the total annual amount of the related party transactions engaged by Bodatong Shenzhen were higher than RMB200 million for each of the two years ended 31 December 2012 and Bodatong Shenzhen did not encounter a loss during the Track Record Period, Bodatong Shenzhen was required to submit the annual related party transactions reporting for the years 2011 and 2012. Bodatong Shenzhen made the relevant filings for the years 2011 and 2012 in accordance with the relevant rules and regulations.

RISK FACTORS

As advised by the PRC Legal Advisers, each of the Local Taxation Bureau of Shenzhen City Baoan District* (深圳市寶安區地方稅務局) and the State Taxation Bureau of Shenzhen City* (深圳市國家稅務局), as the competent authorities, issued confirmation letters on 25 April 2013 and 26 April 2013 respectively, confirming that Bodatong Shenzhen has complied with the relevant rules and regulations relating to tax (including making filings and payments of the local and state taxes in accordance with the relevant rules and regulations). As of the Latest Practicable Date, the Directors were not aware of any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect of transfer pricing procedures carried out by our Group. The Directors have advised that in preparing the financial information, the Directors have reviewed and assessed our Group's transfer pricing arrangements in relation to intra-group services and considered that, although our Group is exposed to transfer pricing risk and it is possible that the PRC tax authority may challenge our Group's transfer pricing position, our Group has grounds to defend against the possible challenge.

Notwithstanding the aforesaid, as advised by the PRC Legal Advisers, according to the relevant PRC tax laws and regulations, the tax authority has the power to reassess the transactions entered into between Bodatong Shenzhen and its related parties for a maximum of 10 years' time. If Bodatong Shenzhen is deemed not to be in compliance with the transfer pricing rules, the tax authority has the power to order Bodatong Shenzhen to pay all outstanding tax and statutory interest and Bodatong Shenzhen may be subject to a maximum penalty of RMB50,000. There is no assurance that the tax authority will not make adjustment to the tax payable by our Group in respect of such related party transactions within the above time frame. Our Controlling Shareholders have agreed to indemnify us for all such outstanding tax and penalties arising from tax related issues in the past. Our Group may be required to change its transfer pricing practices such as adjusting the selling price of the finished goods sold by Bodatong Shenzhen to Goldenmars HK. In such event, our Group may be required to pay additional profit tax and our Group's profitability may be adversely affected. We have not been subject to any tax/transfer pricing disputes during the Track Record Period and up to the Latest Practicable Date.

Relevant PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiary through a Hong Kong company. Pursuant to the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (“**PRC Enterprise Income Tax Law**”) and its implementation rules, which were enacted on 16 March 2007 and 28 November 2007, respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied, otherwise, the dividend withholding tax rate is 10%.

RISK FACTORS

According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties* (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (“**Notice 81**”) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

According to the Administrative Measures for Non-resident to Enjoy Treatments under Tax Treaties (Trial)* (非居民享受稅收協定待遇管理辦法(試行)) (“**Administrative Measures**”) which came into force on 1 October 2009, in order for a non-resident enterprise (as defined under the PRC tax laws) that is in receipt of dividends from PRC resident enterprises to enjoy the favourable tax benefits under the tax arrangements, an application for approval to the competent tax authority must first be submitted. The non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties without such approval. In addition, the PRC Enterprise Income Tax Law provides that, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income excluding equity-investment income such as dividends and bonuses between qualified resident enterprises. We cannot rule out the possibility that our Company may also be deemed a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes equity-investment income such as dividends and bonuses between qualified resident enterprises. As a result of the uncertainty as to whether our Company will be deemed as a “non-PRC tax resident enterprise”, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected. Further, dividends payable to corporate Shareholders outside the PRC may be subject to withholding tax at the rate of 10%.

RISKS RELATING TO THE PLACING

Marketability and possible price and trading volume volatility of the Shares

The Listing is by way of the Placing and the Shares have not been listed or quoted on any stock exchange or open market before completion of the Placing. There is no assurance that there will be an active trading market of the Shares on GEM upon Listing. In addition, the market price of the Shares to be traded on GEM may differ from the Placing Price and investors should not treat the Placing Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the income, profit and cash flow of our Group, new products, services and/or investments of our Group, changes of senior management of our Group and general economic conditions. There is no assurance that such factors will not occur and it is difficult to quantify the impact on our Group and the trading volume and market price of the Shares.

RISK FACTORS

Dilution of Shareholders' equity interests

One of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of its business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including the iSuppli Report. Whilst our Directors and the Sole Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Sole Sponsor, the Underwriter or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Issuer	Goldenmars Technology Holdings Limited
The Placing	<p>A total of 60,000,000 Shares, representing 25.0% of the enlarged issued share capital of our Company immediately following completion of the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), will be made available under the Placing.</p>
Offer Size Adjustment Option	<p>An option granted by the Company to the Underwriter, exercisable by the Underwriter on or before 5 September 2013, at its sole and absolute discretion under the Underwriting Agreement to require the Company to issue up to an additional 9,000,000 Shares, representing 15.0% of the number of the initial Placing Shares and up to approximately 3.6% of the enlarged issued share capital of the Company, at the Placing Price.</p> <p>For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.</p>
Placing Price range	Not more than HK\$0.9 per Share and not less than HK\$0.7 per Share
Underwriting of Placing Shares	<p>This prospectus is published solely in connection with the Placing which is sponsored by Haitong Capital and lead managed by the Sole Global Coordinator. The Placing Shares will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement. For further information about the Sole Global Coordinator and the Placing and underwriting arrangements, please refer to section headed “Underwriting” of this prospectus.</p>
Conditions of the Placing	<p>Details of the conditions of the Placing are set out in the paragraph headed “Conditions” under the section headed “Structure and conditions of the Placing” in this prospectus.</p>
Lock-up undertakings by our Company and the Controlling Shareholders	<p>See the sub-section headed “Underwriting – Undertakings”</p>

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Restrictions on sale of Placing Shares in Hong Kong

Each person acquiring the Placing Shares will be required to confirm or by his/her acquisition of the Placing Shares or will be deemed to confirm that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Stamp duty

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Application for listing on GEM

Our Company is able to satisfy the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under the GEM Listing Rules.

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Placing (including any Shares to be issued under the Offer Size Adjustment Option, the Capitalization Issue and any Shares which may be issued pursuant to

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

the exercise of options that may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies Ordinance, if the permission for our Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

Eligibility for CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

Commencement of dealing in the Shares

Dealings in our Shares on GEM is expected to commence at 9:00 a.m. (Hong Kong time) on 9 September 2013. Shares will be traded in board lots of 3,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. George Lu (<i>Chairman</i>)	House 2 No.56 Repulse Bay Road Hong Kong	American
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Ms. Shen Wei	House 2 No.56 Repulse Bay Road Hong Kong	American
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Ms. Lau Wing Sze	Flat C1, 14th Floor, Scenery Garden 21-29 Sui Wo Road Fotan, New Territories Hong Kong	Chinese
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Independent non-executive Directors

Mr. Loo Hong Shing Vincent	Flat G, 9th Floor, Han Kung Mansion Taikoo Shing, Quarry Bay Hong Kong	Chinese
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Mr. Pang Chung Fai Benny	House 9, Repulse Bay Heights 3 Belleview Drive, Repulse Bay Hong Kong	Chinese
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Mr. Wan Tak Shing	Flat C, 17th Floor, Block T13 Central Heights, 9 Tong Tak Street Tsueng Kwan O, New Territories Hong Kong	Chinese
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PARTIES INVOLVED

Sole Sponsor	Haitong International Capital Limited 22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
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Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Haitong International Securities Company Limited 22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
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DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Underwriter

Haitong International Securities Company Limited
22/F., Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law
Angela Ho & Associates
1109, 11th Floor, Tower 1, Lippo Centre
89 Queensway
Hong Kong

As to PRC law
AllBright Law Offices
14th Floor, Citigroup Tower
33 Hua Yuan Shi Qiao Road
Pudong New Area, Shanghai
People's Republic of China
200120

As to Cayman Islands law
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

**Legal advisers to the Sole
Sponsor and the Underwriter**

As to Hong Kong law
Deacons
5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law
King & Wood Mallesons
28th Floor, Landmark
No. 4028 Jintian Road
Futian District
Shenzhen, 518026
People's Republic of China

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Auditor and reporting
accountant**

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
Room 1601, 16th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Headquarter and principal place of business in Hong Kong	Rooms 2901-03, 2905-08, 29th Floor Enterprise Square Two 3 Sheung Yuet Road Kowloon Bay Kowloon, Hong Kong
Principal place of business in China	4th – 5th Floor, Block B17 XinBaoHui Industrial Area, Heng Feng Industrial City, Xixiang Sub-district, Bao An District, Shenzhen, the PRC
Company secretary	Mr. Lo Kam Hon Gary <i>FCCA, CPA</i> Flat 8, 14th Floor, Block C Tung Hei Court 38 Yiu Hing Road Shau Kei Wan Hong Kong
Authorized representatives	Ms. Lau Wing Sze Flat C1, 14th Floor, Scenery Garden Chinese 21-29 Sui Wo Road Fotan, New Territories Hong Kong Mr. Lo Kam Hon Gary Flat 8, 14th Floor, Block C Tung Hei Court 38 Yiu Hing Road Shau Kei Wan Hong Kong
Compliance Officer	Mr. George Lu
Audit Committee	Mr. Wan Tak Shing (<i>Chairman</i>) Mr. Pang Chung Fai Benny Mr. Loo Hong Shing Vincent
Remuneration Committee	Mr. Loo Hong Shing Vincent (<i>Chairman</i>) Mr. Wan Tak Shing Mr. Pang Chung Fai Benny
Nomination Committee	Mr. Pang Chung Fai Benny (<i>Chairman</i>) Mr. George Lu Mr. Loo Hong Shing Vincent

CORPORATE INFORMATION

Corporate Governance Committee	Mr. Lo Kam Hon Gary (<i>Chairman</i>) Ms. Lau Wing Sze Ms. Lu Qinzhen
Compliance adviser	Tanrich Capital Limited 16/F Central Plaza 18 Harbour Road Wanchai Hong Kong
Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Hong Kong
Company website address	www.goldenmars.com (information contained in this website does not form part of this prospectus)

INDUSTRY OVERVIEW

This section contains certain information which has been derived from official, market and other third party sources. Our Directors believe the sources of such information are appropriate sources for the information. We have exercised reasonable care in selecting and identifying the named information sources and, in compiling, extracting and reproducing such information, and our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such facts and statistics have not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective affiliates, directors and advisers or any other parties involved in the Placing. None of them makes any representation as to the accuracy or completeness of such information which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

Certain information and statistics are extracted from the iSuppli Report prepared by iSuppli Corporation. The information extracted from the iSuppli Report and the iSuppli Report reflect an estimate of market conditions based on iSuppli Corporation's research and analysis. The information extracted from the iSuppli Report and the iSuppli Report should not be viewed as a basis for investments provided by iSuppli Corporation and references to the iSuppli Report and the iSuppli Report should not be considered as iSuppli Corporation's opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective affiliates, directors or advisers, nor any party involved in the Placing have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

SOURCE OF INFORMATION

iSuppli Corporation

iSuppli Corporation, a company founded in 1999 and based in El Segundo, California, operates as a market intelligence company which offers electronics and technology research and advisory services, as well as produces analysis reports and databases. In 2010, IHS Inc., a company listed on the New York Stock Exchange, acquired iSuppli Corporation and the latter became a subsidiary of IHS Inc. immediately after such acquisition. iSuppli Corporation is an Independent Third Party. We commissioned iSuppli Corporation to conduct market analyses of, and produce the iSuppli Report at a total fees of US\$122,500. Our payment of such fees is not contingent upon the results of the analysis of iSuppli Corporation.

iSuppli Report

The information, data, and forecasts contained in the iSuppli Report came from primary and secondary sources. Primary market research methods included interviews with DRAM manufacturers, component suppliers, and customers. DRAM market statistics are based on reported sales and/or derived

INDUSTRY OVERVIEW

from the proprietary market share data and databases of iSuppli Corporation. iSuppli Corporation also utilised company financial statements and other public data sources. Revenue figures of our Group set out in the iSuppli Report are based on unaudited management records of our Group. Historical patterning, econometric analyses, and price-volume analysis were all used to analyse and explain market data and trends. All figures of 2009 to 2012 contained in this section are actual historical figures.

Analysis and forecasts contained in the iSuppli Report are based on the following major assumptions at the time of compiling such report:

- The macro-economy will continue on a slow recovery path, with investment neither dropping precipitously from current levels nor suddenly increasing.
- Technological developments in DRAM modules will continue at a rate appropriate to the current level of investment in research and development of DRAM modules and DRAM chips.
- PC will grow in popularity, driven largely in part by continued growth in the laptop computers.

DRAM MODULE MARKET

Overview

DRAM or DRAM chip, means dynamic random access memory (dynamic RAM), is a main type of memory used in desktop computers, laptops, workstation and server which allows computer's CPU to access instructions and data stored swiftly. DRAM module is a type of memory module composed of a series of DRAM chips mounted on a printed circuit board. They are one of the essential components for enhancing the performance of computers.

INDUSTRY OVERVIEW

There are generally two categories of DRAM module manufacturers:

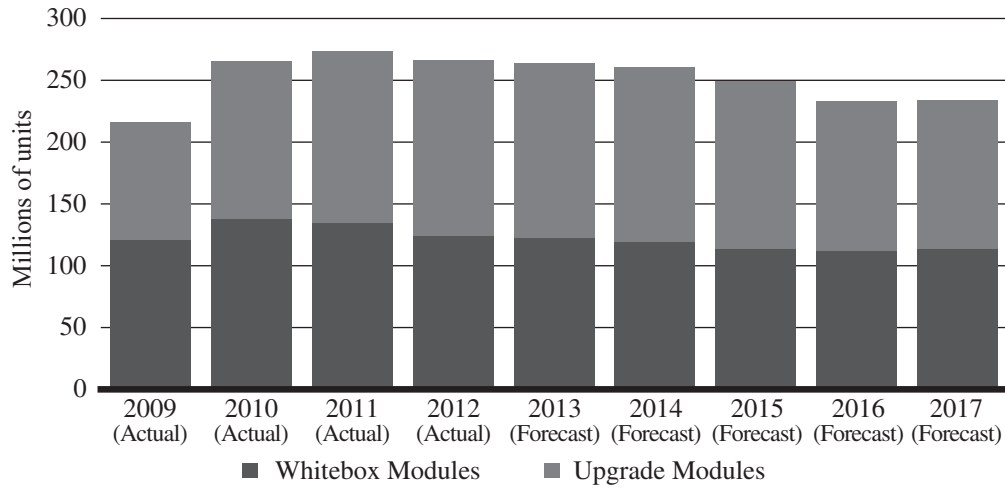
Category of manufacturers	Role(s)	Market share of DRAM modules 2012
(1) DRAM module manufacturers who produce DRAM chips on their own	According to the iSuppli Report, there are only a handful of DRAM chip manufacturers and the top five players (including Samsung, SK Hynix, Elpida, Micron and Nanya) produced and supplied over 97% of all the DRAM chips shipped in 2012. These DRAM chip manufacturers use the DRAM chips to produce DRAM modules or sell them to other DRAM module manufacturers.	67%
(2) DRAM module manufacturers who source DRAM chips from DRAM chip manufacturers (“third-party DRAM module manufacturers”)	According to the iSuppli Report, most DRAM module manufacturers do not produce their own DRAM chips, but procure DRAM chips either directly from DRAM chip manufacturers or on the spot market. They are usually referred to as “third-party DRAM module manufacturers” or “third-party manufacturers of DRAM modules”. This market is generally referred to as “third-party DRAM module market”.	33%

According to the iSuppli Report, DRAM modules shipped in 2012 were over 700 million units with revenue of approximately US\$17.9 billion (approximately HK\$139.6 billion) and shipment are expected to reach 732 million units in 2017 with a CAGR of approximately 0.7%. The annual revenue of the DRAM modules market is expected to increase from 2012 to 2013 to reach approximately US\$20.3 billion in 2013 and fluctuate with the average selling prices afterwards. Despite the DRAM module growth will be stagnant as consumers are expected to continue to shift from desktops to laptops or ultrathin PCs such as Ultrabooks or tablets for the next few years where upgrades are not as frequent, as a result of the development in computer market, the demands for DRAM modules in PRC, Asia and worldwide are still expected to remain stable in coming years. On the other hand, the fluctuation in selling prices is expected to vacillate between negative and positive in the coming few years.

INDUSTRY OVERVIEW

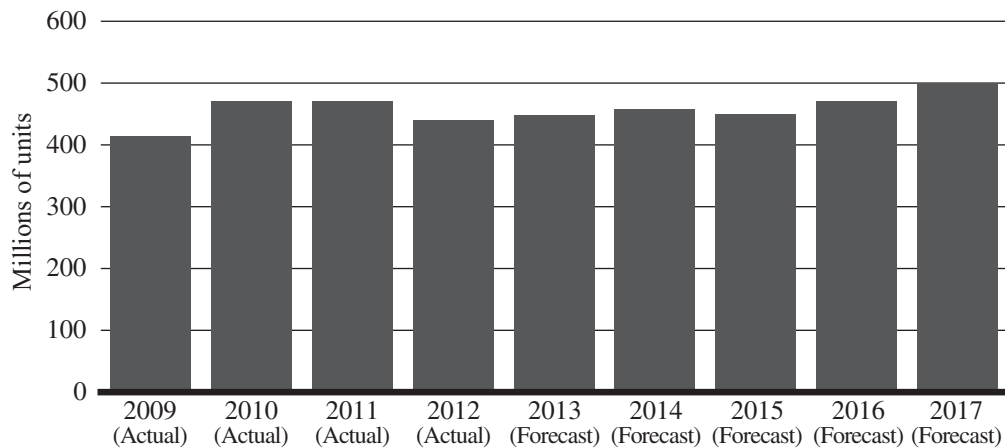
Global DRAM Module Market

Figure 1a: Whitebox and upgrade DRAM modules shipped, 2009-2017



Source: iSuppli Corporation

Figure 1b: OEM modules shipped, 2009-2017



Source: iSuppli Corporation

Notes:

1. Upgrade modules are DRAM modules produced by third-party DRAM module manufacturers and sold to end-users, generally through retail outlets.
2. Whitebox modules are DRAM modules produced by third-party DRAM module manufacturers and sold to PC OEMs (such as Dell, Acer, Asus, Apple, etc).
3. OEM modules are DRAM modules produced by DRAM chips manufacturers.

According to the iSuppli Corporation, the total DRAM module shipment increased from approximately 630 million units in 2009 to approximately 706 million units in 2012, representing a CAGR of approximately 3.9%, and is expected to moderately increase to 718 million units in 2014.

INDUSTRY OVERVIEW

The annual revenue of the DRAM module market experienced a significant increase from approximately US\$17.5 billion in 2009 to approximately US\$31.5 billion in 2010 but dropped to approximately US\$21.3 billion in 2011 and further dropped to US\$17.9 billion in 2012. Despite the aforesaid, it is projected that the annual revenue of DRAM module market will experience an increase in 2013 and reach approximately US\$20.3 billion as a result of increase in average selling price attributable to slow down of data bit growth and fluctuate with the DRAM module prices afterwards to 2017.

In 2008, the DRAM module market experienced a drastic drop in revenue due to the low DRAM chip prices, the major raw material for DRAM modules, at the beginning of the year and the severe price drops in the second half of the year. DRAM module manufacturers bore the burden of chip suppliers' inventory clear outs while the total demand for DRAM module was weak. Together with the slow down of the worldwide economy at the same time and with high inventory level in DRAM chip suppliers, the prolonged over-supply situation hurt the entire DRAM supply chain. DRAM module manufacturers stockpiled the cheap DRAM chips for inventory as the third quarter was typically the hot selling season while the demand remained weak.

The over-supply situation continued in 2009 together with poor economy outlook, and corporations slowed or even stopped their PC refresh cycle and decided to wait for clearer outlooks and consumers followed in the same vein by putting off upgrades or new PC purchases until they felt more confident in the economy, which resulted in a depressed DRAM module revenue. On the other hand, DRAM modules in DDR3 form factor were just becoming popular and there was a shortage of DDR3 chips within the DRAM chips market. Some module manufacturers had no problem in procuring DDR3 chips due to their favorable relationships with DRAM chip makers while others were simply unable to purchase DDR3 chips and had to continue to focus on DRAM modules in DDR2 form factor.

There was no turnaround until the end of 2009 and beginning of 2010 when there appeared to be positive sentiments in the market and consumers and corporations began to upgrade their computing systems which eventually turned 2010 into the best year for DRAM module manufacturers in the last handful of years, while the drop in prices of DRAM modules led to a decrease in DRAM module revenue despite the total shipment of DRAM modules increased slightly by approximately 1.1% in 2011.

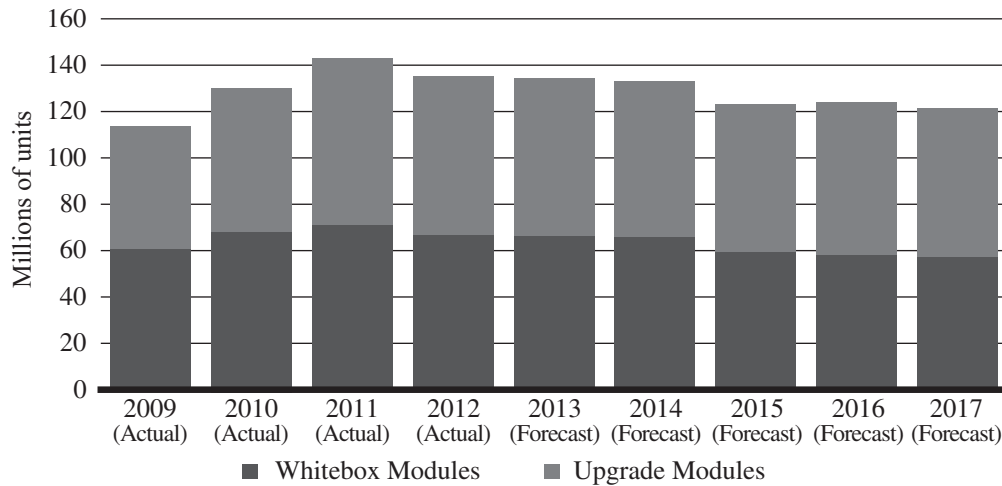
During 2012, the total shipment and revenue of DRAM modules had decreased as compared to 2011 due to the deterioration of the personal computer market as a whole despite the release of Windows 8 and the slightly improved condition of world economy. In addition, corporate spending was also lackluster in 2012 and resulted in low demand in personal computers, which in turn declined the DRAM modules shipment.

According to iSuppli Corporation, the DRAM module growth will be stagnant as consumers are expected to continue to shift from desktops to laptops or ultrathin PCs such as Ultrabooks or tablets for the next few years where upgrades are not as frequent. On the other hand, new operating systems are not requiring upgrades in DRAM as before which will result in a slowdown in average content for personal computers and upgrades in the upcoming years. Despite the aforesaid, it is still expected that the overall DRAM modules shipment will remain stable in coming years.

INDUSTRY OVERVIEW

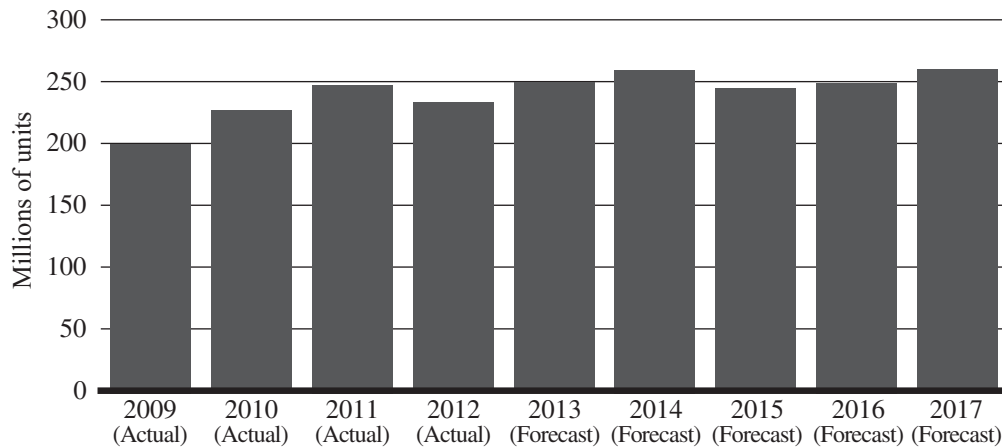
Asian DRAM Module Market

Figure 2a: Whitebox and upgrade DRAM modules shipped in Asia, 2009-2017



Source: iSuppli Corporation

Figure 2b: OEM DRAM modules shipped in Asia, 2009-2017



Source: iSuppli Corporation

Over the past few years, Asian DRAM module market has been following the trend of the global DRAM module market and experienced year over year growth in 2010 and 2011 of approximately 13.9% and 9.3% respectively, and reached approximately 389.5 million units in 2011. Affected by the gloomy economy, Asian personal computer market declined by 2.4% in terms of shipment volume in 2012. Windows 8 and Ultrabook adoption were far behind the expectation of OEMs, even in the developed countries such as Japan and Korea. Accordingly, the Asian DRAM module market decreased to approximately 367.9 million units or by approximately 5.5% in 2012.

According to iSuppli Corporation, Asian PC market is expected to improve in 2013 as compared to 2012 due to (i) the economies of developed countries like Japan is expected to improve; (ii) the personal computer market in developing countries such as China and India are also expected to improve in 2013 as personal computer OEMs will aggressively reduce the selling price of traditional notebook

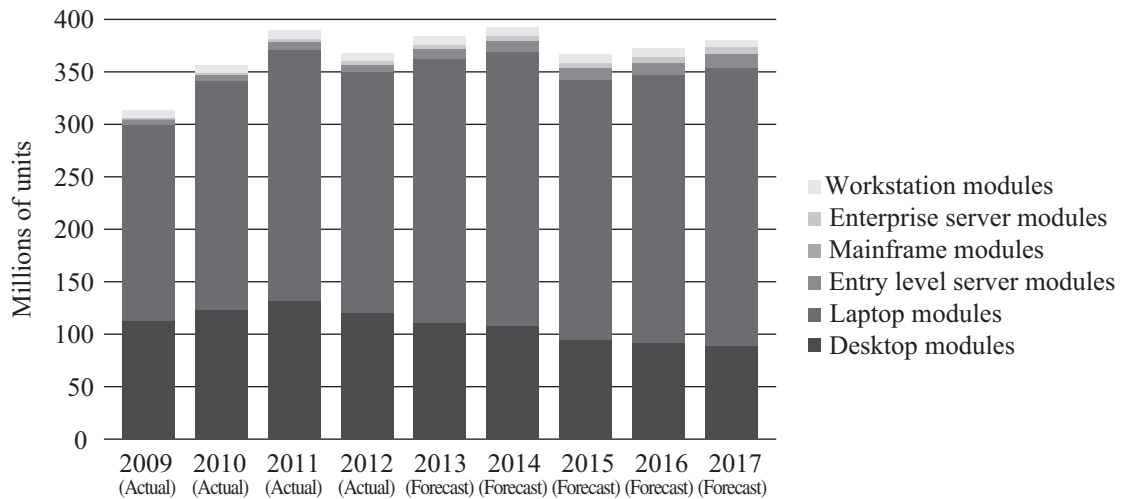
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with Windows 7 OS to stimulate the market demand, particularly in Asia; and (iii) the increased penetration rate of new operation system (i.e. Windows 8) is expected to stimulate the market demand of personal computers, as well as the DRAM module market in 2013.

As mainly driven by increasing demand of laptop personal computers, iSuppli Corporation expects that the Asian DRAM module market will grow to approximately 383.5 million units of shipments in 2013.

Apart from dividing the DRAM module market according to the type of manufacturers and how it is used, the DRAM module market can also be segmented in accordance with the machine which they are equipped with, for example desktop personal computers, laptop personal computers, workstations, enterprise servers, entry level servers and mainframe computers. The following graph sets out the Asian DRAM module market by application:

Figure 3: Total DRAM modules shipped in Asia, 2009-2017 (by application)



Source: iSuppli Corporation

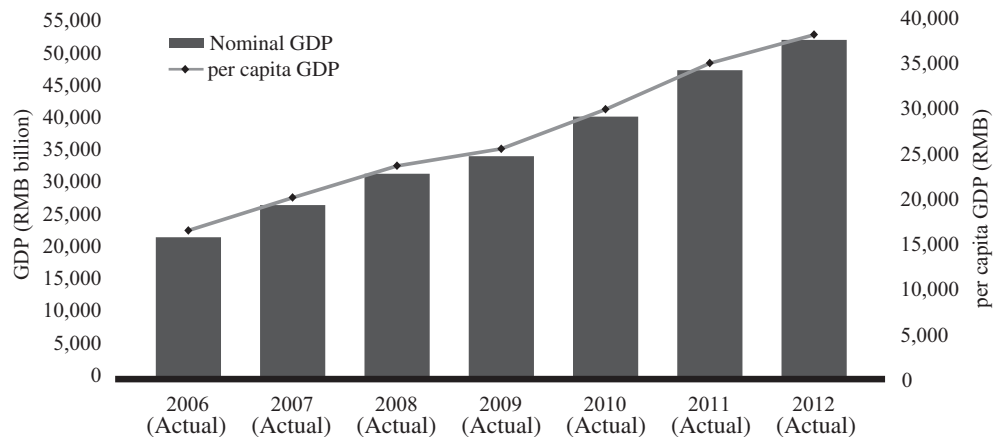
In the past few years, the growth in Asian DRAM module market was mainly driven by the laptop modules, which took up around 60% of the Asian DRAM module market from 2009 to 2012, and it is still expected that the demand in Asian DRAM module market will continue to be driven by the laptop modules in coming years which will account for more than 65% of the Asian DRAM module market from 2013 to 2017.

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PRC DRAM Module Market

The PRC is one of the world's fastest growing economies. According to the National Bureau of Statistics of China, the nominal GDP of the PRC reached approximately RMB51,932 billion in 2012, representing a CAGR of approximately 15.7% since 2006 and a growth of approximately 9.8% as compared to that in 2011. From 2006 to 2012, the per capita GDP of China also increased from approximately RMB16,500 to approximately RMB38,354, representing a CAGR of approximately 15.1%. The following chart illustrates the growth of the nominal GDP and per capita GDP of the PRC from 2006 to 2012:

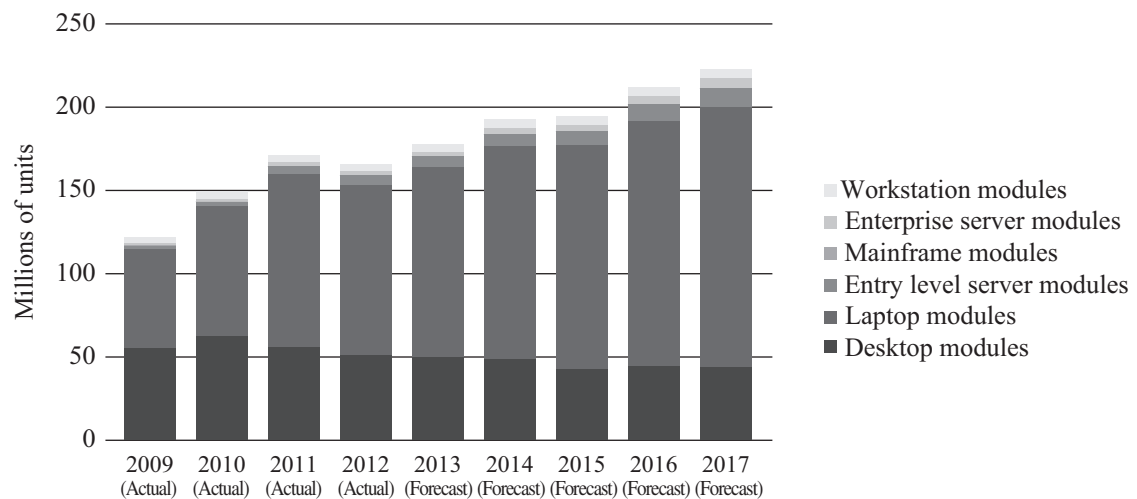
Figure 4: GDP and per capita GDP of China, 2006-2012



Source: National Bureau of Statistics of China

With the growth in overall economy in the PRC and increase in individual income, it is expected that the demand in computer products will also increase, benefiting the DRAM module market. The following graph shows the PRC DRAM module market by application:

Figure 5: Total DRAM modules shipped in China, 2009-2017 (by application)



Source: iSuppli Corporation

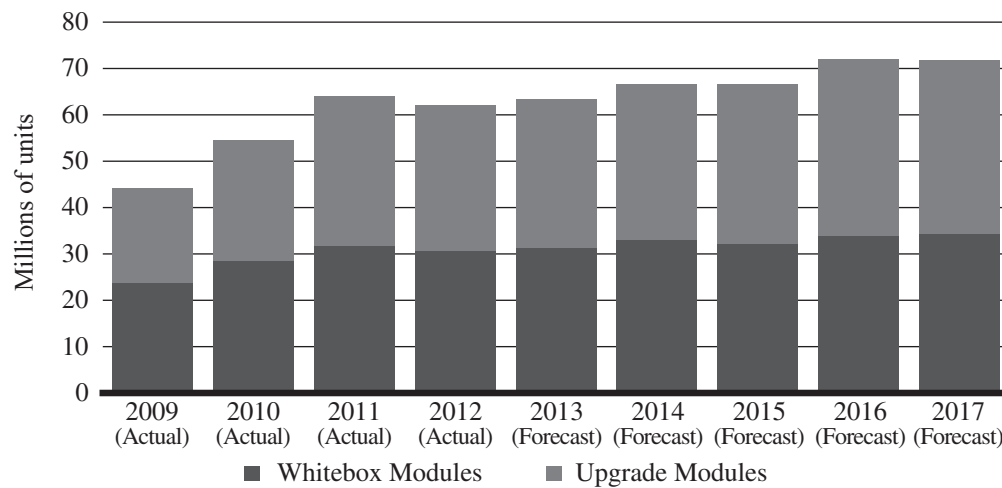
INDUSTRY OVERVIEW

In 2009 to 2010, the PRC DRAM module market mainly represented application on desktop modules and laptop modules, each of which accounted for more than 40% of the shipment during the period. In 2011, the desktop modules and laptop modules accounted for approximately 32.3% and 60.8% of the shipment, respectively while in 2012, the desktop modules and laptop modules accounted for approximately 30.8% and 61.7% of the shipment, respectively. Similar to the Asian DRAM module market, it is expected that the growth in application of DRAM module in the PRC will mainly be driven by the increase in demand on laptop modules in coming few years, which is expected to take up more than 65% of the DRAM module shipment by 2014.

According to the iSuppli Report, the domestic personal computer market in the PRC was approximately 74.1 million units in 2012 and is expected to grow to approximately 75.7 million units in 2013, with approximately 2.2% yearly growth rate. It is expected that the notebook personal computer market in the PRC will exceed desktop personal computer market in the PRC in 2013, with approximately 41.4 million units in notebook personal computer market as compared to 34.6 million units in desktop computer market.

In 2011, the growth of personal computer market was mainly driven by (i) the falling average selling prices of notebook; (ii) increasing spending from enterprises on information technology; and (iii) the governmental subsidy to upgrade old computers, which stimulated the domestic DRAM module market as well. iSuppli Corporation forecasts that the DRAM module market of the PRC will grow to approximately 177.8 million units in 2013, representing approximately 7.4% growth over 2012.

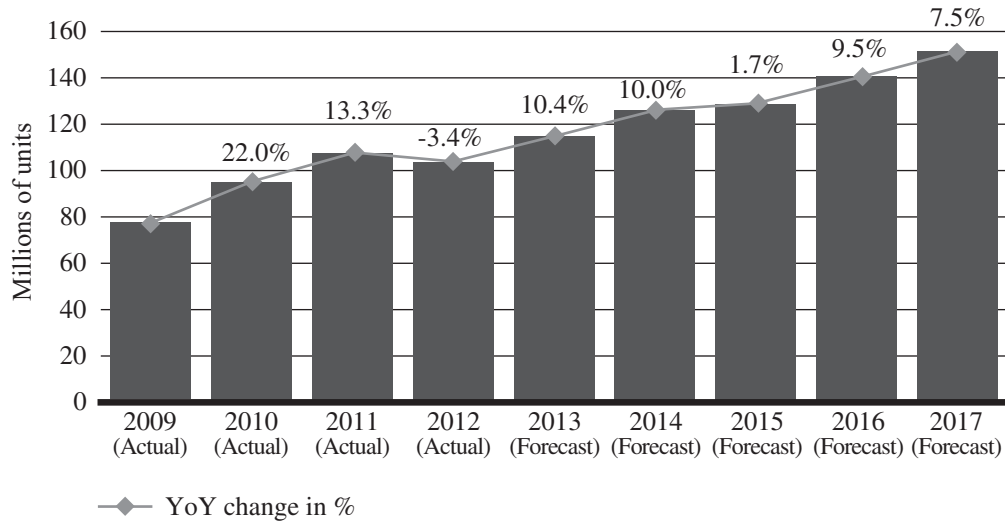
Figure 6a: Whitebox and upgrade DRAM modules shipped in China, 2009-2017



Source: iSuppli Corporation

INDUSTRY OVERVIEW

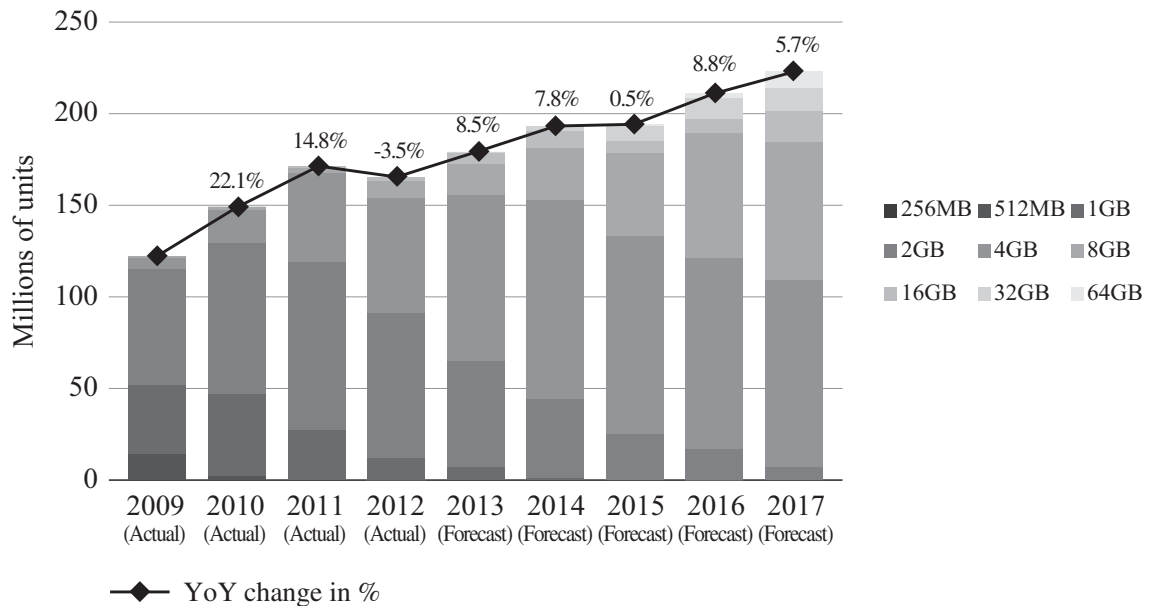
Figure 6b: OEM DRAM modules shipped in China, 2009-2017



Source: iSuppli Corporation

Similar to the world DRAM module market and Asian DRAM module market, the PRC DRAM module market experienced positive growth from 2009 to 2011 but with a higher rate as compared to the world market and Asian market. Despite PRC DRAM module market declined to 165.5 million units in 2012, representing a decrease of approximately 3.3% as compared to 2011, such decrease was relatively gentle as compared to the decrease in the world DRAM module market and Asian DRAM module market. The PRC DRAM module market is still expected to outperform the world market and Asian market in coming years.

Figure 7: Total DRAM modules shipped in China, 2009-2017 (by density)



Source: iSuppli Corporation

INDUSTRY OVERVIEW

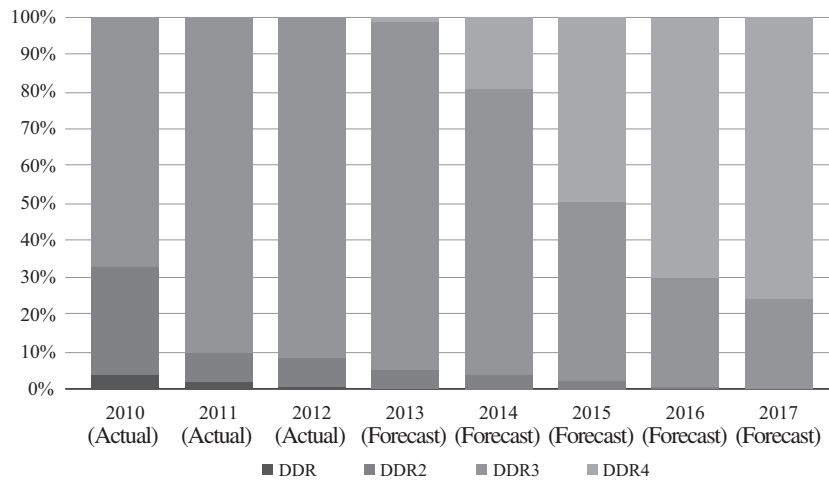
Despite the DRAM module market fluctuated in 2009 to 2012, the markets continued to demand DRAM modules with higher density. In PRC DRAM module market, 1GB DRAM modules accounted for more than 30% in 2009 and dropped to approximately 7.3% in 2012, which is expected to further reduce to approximately 3.9% in 2013; while 2GB DRAM modules dominated the market and accounted for more than 50% in 2009 to 2012. On the other hand, 4GB DRAM module market is expected to ramp up soon from 2012 and will dominate the market in 2013 to 2017. The falling average selling prices and new personal computer chip-sets are expected to help in driving up the content of DRAM modules. From 2014, 8GB DRAM modules will ramp up in China and DDR4 will be the prevailing technology in China in coming five years according to iSuppli Report.

Development of DRAM Module Market

JEDEC, an independent semiconductor engineering trade organisation and standardisation body, is responsible for setting the standards for data rates of Double Data Rate Synchronous DRAM. Currently, DRAM modules can be broadly categorized according to three form factors, namely DDR1, DDR2 and DDR3. The main difference distinguishing the different DDRs lies in their transfer rates and DDR3 has the fastest transfer rate among the three form factors.

DDR3 is now the dominant form factor and technology in all of the different channels and different applications including, but not limited to, desktops and laptops. Prior to that, DDR2 has ruled the module landscape from 2006 through 2009 as the dominant form factor and technology on a modules shipped basis. Set out below is the projection of technology shares (being DDR1, DDR2, DDR3 and DDR4) by modules shipped from 2010 to 2017:

Figure 8: Technology shares by modules shipped, 2010-2017



Source: iSuppli Corporation

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It is expected that DDR3 should remain dominant in the market through 2014. iSuppli Corporation further forecasts that DDR4 will become major form factor in 2015, expectedly at a very low figure. Despite the aforesaid, there is not a DDR4 module standard yet. The JEDEC committee will provide the DDR4 module standards in the future but the latter will not enter the market until late 2013. It is expected that shipments of DDR4 chips will exceed 19.1% of all DRAM modules shipped in 2014 and this will ramp up and reach 49.5% in 2015.

DRAM Supply Chain

DRAM chip is the major raw material for the production of DRAM modules. There are only a limited number of DRAM chip manufacturers, who sell the chips as modules after processing, or as individual chips through contracts with their respective clients or through the spot market.

DRAM module manufacturers who do not produce their own DRAM chips, but procure DRAM chips either through contracts established with DRAM chip manufacturers, or by purchasing DRAM chips on the spot market, are referred as third-party DRAM module manufacturers. Third-party DRAM module manufacturers generally sell their modules to PC manufacturers for equipping in personal computers or they sell the DRAM modules via retailers to consumers directly. Third-party DRAM module manufacturers have also been known to sell modules directly to other third-party DRAM module manufacturers to help them meet their contractual obligations with clients.

DRAM chip price is mainly driven by the balance between supply and demand. Prices stay firm or even increase when supply is limited while drop when demand turns weak. The following chart shows the historical trend of an index in respect of DRAM chips market (“DXI”) from 2 January 2007 to 29 March 2013:

Figure 9: DXI, 2007-2013



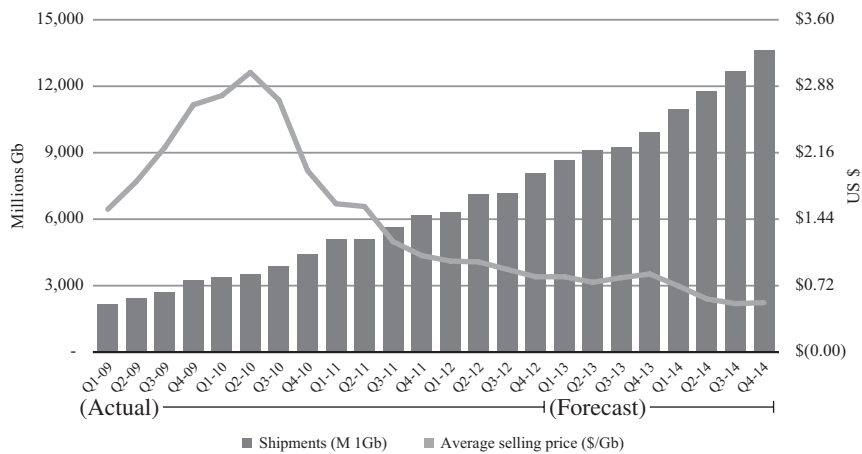
Source: Bloomberg

Note: DXI is an output value index showing the DRAM chips output value changes, which is comprised of the output and price variations and is calculated by multiplying the mainstream DRAM chips with their respective street price.

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The DXI dropped from the start of 2007 to mid-2009, bounced back and peaked in the first half of 2010 and shifted to a downward trend during late 2012. In March 2013, the index rebounded to over 4,500 points. In the past few years, price of DRAM chips has been fluctuating, and the following chart shows the historical and projected quarterly DRAM chip price and shipment (in 1Gb) from 2009 to 2013:

Figure 10: DRAM chip price and global shipment (by quarter), 2009-2014



Source: iSuppli Corporation

The DRAM chip average selling price fluctuated during 2009 to 2012. According to iSuppli Corporation, price of DRAM chips at the end of 2008 even reached below manufacturing costs for less competitive DRAM chip manufacturers which, in an attempt to preserve cash, slashed production. This reduction in output, coupled with a strengthening of the world economy in 2009 helped DRAM chip prices retrieve from its trough and start to climb in the second half of 2009. The price of the DRAM chips continued to increase during the first half of 2010 due to limited supply with a strong demand and dropped afterwards due to DRAM chip manufactures full production utilization, which in turn increased the supply. iSuppli Corporation expects that many DRAM chip makers will put more attention to the rapidly growing mobile DRAM chip market in 2013 and as a result, supply and demand of DRAM chip will be balanced during 2013 which in turn bringing strong revenues to the industry. iSuppli Corporation believes that the worst of the global economic recession has passed, personal computers will continue to be the driver of DRAM chips and Ultrabooks will grow in the personal computer market. Ultrabooks will take market share from traditional laptops, however most Ultrabooks will use discrete DRAM chips in place of modules which will potentially hurt module companies unless they can establish a module in Ultrabooks.

Major Types and Key Applications of DRAM Module

DRAM modules can also be further categorised into several series depending on their application and functions. For instance, UDIMM are commoditized modules designed for use in standard personal computers; SO-DIMM are designed for use in products where space is at a premium, such as netbooks and laptops; ECC UDIMM are designed for entry-level servers and workstations where memory capacity is not as critical; RDIMM are designed for mid-range to high-end platforms where memory capacity and reliability is critical; FB-DIMM are designed for extremely fast buffering, and optimised for server performance.

INDUSTRY OVERVIEW

Third-Party DRAM Module Manufacturers

In 2012, the revenue of all DRAM module manufacturers amounted to approximately US\$17.9 billion, while third-party DRAM module manufacturers accounted for approximately 33% of such revenue. Amongst the third-party DRAM module manufacturers, Kingston took the leading role with approximately 46.2% market share in 2012. The top five third-party DRAM module manufacturers, namely Kingston, Ramaxel Technology, Smart Modular, Crucial and A-Data accounted for approximately 70.1% of the third-party DRAM module revenues in 2011. The following table shows the ranking of third-party DRAM module manufacturers by revenue in 2012.

Figure 11: Third-party DRAM module manufacturers' revenue in 2012 (million US\$)

2012 Ranking	Company	2012	Market Share	% of Worldwide Revenue	Location (Note 2)
1	Kingston Technology	\$2,738	46.2%	15.3%	USA
2	Ramaxel Technology	\$439	7.4%	2.4%	China
3	Smart Modular Technologies	\$350	5.9%	2.0%	USA
4	Crucial Technology	\$333	5.6%	1.9%	USA
5	A-Data	\$294	5.0%	1.6%	Taiwan
6	Corsair Memory	\$227	3.8%	1.3%	USA
7	MA Labs	\$214	3.6%	1.2%	USA
8	Transcend	\$206	3.5%	1.1%	Taiwan
9	Apacer Technology	\$125	2.1%	0.7%	Taiwan
10	Team Gruop	\$120	2.0%	0.7%	Taiwan
11	Kingmax Semiconductor	\$115	1.9%	0.6%	Taiwan
12	Beffalo – Melco*	\$108	1.8%	0.6%	Japan
13	Strontium*	\$108	1.8%	0.6%	Singapore
14	Wintec Industries	\$78	1.3%	0.4%	USA
15	Patriot Memory	\$62	1.0%	0.3%	USA
16	Viking Technology	\$56	0.9%	0.3%	USA
17	Unifosa	\$54	0.9%	0.3%	Taiwan
18	Kingtiger	\$41	0.7%	0.2%	China
19	PNY	\$38	0.6%	0.2%	USA
20	Goldenmars (Note 1)	\$27	0.5%	0.2%	HK
21	GeIL Group	\$20	0.3%	0.1%	Taiwan
22	Mercypower	\$17	0.3%	0.1%	China
23	Netlist Inc	\$15	0.3%	0.1%	USA
24	PQI	\$12	0.2%	0.1%	Taiwan
25	Sinochip	\$7	0.1%	0.0%	China
26	STEC	\$5	0.1%	0.0%	USA
	Others	\$112	2.2%	0.7%	N/A
	Total	\$5,921	100.0%	33.0%	

Source: iSuppli Corporation

* Arranged by alphabetical order for same revenue.

INDUSTRY OVERVIEW

- Notes:
1. Revenue figure of our DRAM modules for the 12-month ended 31 December 2012 was provided to iSuppli Corporation for the purpose of ranking. This figure was derived based on the unaudited management records of our Group.
 2. The location refers to the location of the headquarter of the relevant third-party DRAM module manufacturer.

Among the third-party DRAM module manufacturers, only a limited number of them have headquarters in China or Hong Kong (“**Chinese Third-Party DRAM Module Manufacturers**”). The following table shows the top five Chinese Third-Party DRAM Module Manufacturers by revenue in 2012.

Figure 12: Chinese Third-Party DRAM Module Manufacturers’ revenue in 2012 (million US\$)

2012 Ranking	Company	2012	Market Share	% of Worldwide Revenue
1	Ramaxel Technology	439	7.4%	2.4%
2	KINGTIGER	41	0.7%	0.2%
3	Goldenmars	27	0.5%	0.2%
4	Mercypower	17	0.3%	0.1%
5	Sinochip	7	0.1%	0.0%

Source: iSuppli Corporation

PRC Market Segmentation

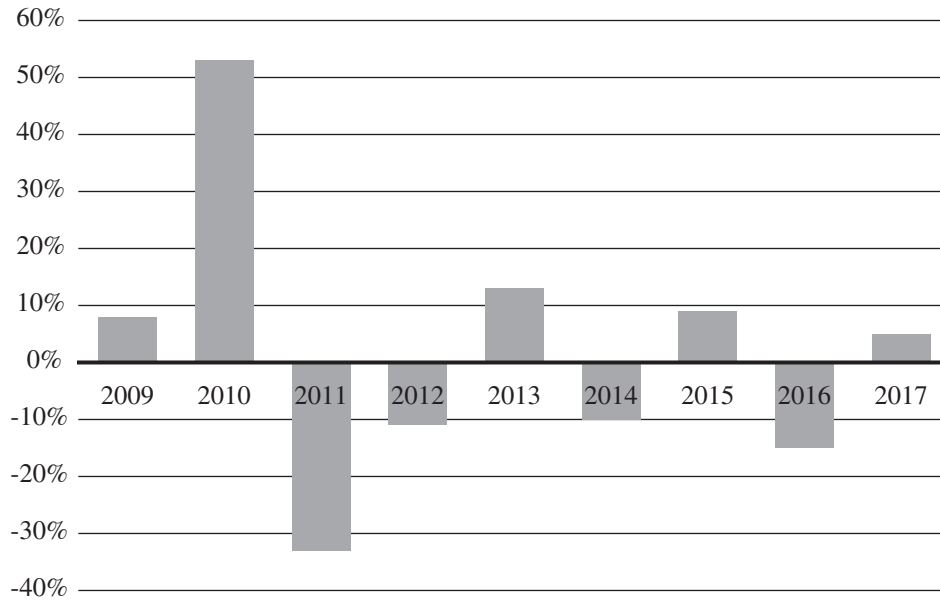
China DRAM module market revenue decreased to approximately US\$4,206 million in 2012 from approximately US\$4,899 million in 2011, which representing a decrease of approximately 14%. The market revenue for 2012 fell greatly because of the decline in price during the second half of the year due to weak demand from PC OEMs. iSuppli Corporation forecasts that China DRAM module market will grow to approximately US\$4,961 million in 2013, considering (i) Windows 8 and Ultrabook markets are expected to grow in 2013 resulting from the stronger promotion activities of Intel and Microsoft; (ii) the improved economy status will allow enterprises and governments to update their IT infrastructures; and (iii) the improving market price.

At present, Taiwanese DRAM module manufacturers are dominating the DRAM module market in the PRC, with limited numbers of Chinese Third-Party DRAM Module Manufacturers.

INDUSTRY OVERVIEW

Market Prices of DRAM Modules

Figure 13: Change in Average Selling Prices of DRAM Modules, 2009-2017



Source: iSuppli Corporation

Note: The data in the year of 2009 to 2012 represents actual results. The data in the year of 2013 to 2017 represents forecasted figures.

The average module selling price increased by approximately 8% from 2008 to 2009 and further increased by approximately 53% from 2009 to 2010 but dropped by approximately 33% from 2010 to 2011 and further dropped by approximately 12% in 2012, while it is expected to vacillate between negative and positive in the coming few years.

According to iSuppli Corporation, the price of DRAM modules is composed mainly of three parts, namely the average selling prices of DRAM chips, the amount of DRAM chips on the DRAM module and the price of the PCB.

The price of PCB is very inexpensive and does not fluctuate very much while the amount of DRAM chips that are fitted into each DRAM module is constantly increasing, but that increase is dependent on the price of DRAM chips. Accordingly, the ultimate driver of the DRAM module price is the price of DRAM chips which is volatile as discussed above.

INDUSTRY OVERVIEW

Key Market Restraints

The rise of ultrathin PCs (Ultrabooks and similar) and tablet personal computers is a large potential restraint on DRAM modules. Tablet personal computers are designed for portability first and foremost, and in order to accomplish this satisfactorily, power consumption is a priority. This is accomplished by using low-power DRAM chips (mobile DRAM chips) and a dedicated mobile processor. This is a problem for third-party DRAM module manufacturers as this custom memory arrangement is designed-in and does not use a standardized DRAM module. Although this design-in process is much more complicated than incorporating a DRAM module, the power benefits currently out-weigh the adverse effects. Another issue is that DRAM chip producers do not produce mobile DRAM chips speculatively like traditional DRAM chips, which greatly limited their availability in the open market. If the growth of tablet personal market continued and took over part of the market of netbook personal computer and low-end mobile laptops, this could negatively affect DRAM module manufacturers' ability to sell DRAM modules, as the DRAM module market could potentially shrink.

Another restraint to the DRAM module market is the threat of Ultrabooks. Most of the Ultrabooks that have been released or are going to be shortly released do not use a SO-DIMM which is a departure in design from current laptops, and would negatively affect the demand for traditional DRAM modules. Despite the aforesaid, the trend of Ultrabooks using solder-down memory (memory being soldered directly to the motherboard) has now been declining and the use of DRAM modules on Ultrabooks has been increasing according to iSuppli Corporation.

Entry Barriers

Capital is the primary barrier which is needed to procure a manufacturing and testing facility and highly specialised equipment for module manufacturers. Third party DRAM module manufacturers usually construct the modules themselves and would need facilities with the necessary equipment required for the amount of modules desired. To go along with the infrastructure, a skilled workforce is also needed to design, construct, and test the modules.

Another barrier to entry is the ability to establish adequate relationships with DRAM chip manufacturers as third party DRAM module manufacturers do not produce DRAM chips. When the DRAM chip market enters into a supply shortage, it can be difficult for third-party DRAM module manufacturers to procure the type of DRAM chip they desire. DRAM chips are firstly allocated to preferential clients by the DRAM chip manufacturers, and this may lead third party DRAM module manufacturers to address their procurement needs from the spot market instead, which may be a more expensive way to acquire DRAM chips.

INDUSTRY OVERVIEW

MARKET TRENDS OF DESKTOPS, LAPTOPS, ULTRABOOKS AND TABLETS

Shipment of desktop computers was in a declining trend in the last few years (from approximately 133.4 million units in 2010 to approximately 120.9 million units in 2012) which resulted in weak demand of DRAM modules. The desktop computer shipment is expected to decrease from approximately 115.5 million units in 2013 to approximately 105.3 million units in 2017. However, the demand of desktop computer is expected to subsist because (i) the popularity of Microsoft's new operating system (Windows 8) is expected to increase which will result in increase in the demand of desktop computers to fulfill Windows 8's operating requirement; and (ii) desktop computers are generally the most powerful among PC products (i.e. desktops, laptops, ultrabooks and tablets) and customers who require high computer performance tend to choose desktop computers and needs upgrades from time to time. Demand in desktop PC supports the demand in DRAM modules.

Demand of laptops increased in the past few years (from approximately 204.4 million units in 2010 to approximately 211.9 million units in 2012) and it supported the demand for the laptop modules. The shipment of laptop computers is expected to continue to increase from approximately 211.9 million units in 2012 to approximately 296.3 million units in 2017 as majority of consumers prefer the portability of laptop computers. As a result, DRAM module market could be positively benefited from the rising trend of shipment of notebook computers.

According to iSuppli Corporation, ultrathin PCs (ultrabooks and similar) are still too expensive for greater adoption. As PC OEMs are still unable to match the performance of ultrathin PCs with their prices, ultrathin PCs is not expected to threaten the traditional PCs market or the DRAM module market. According to iSuppli Corporation, the shipment of ultrathin PCs increased from approximately 1.0 million units in 2010 to approximately 19.1 million units in 2012. Emerging of ultrathin PCS in the past few years had not substantially impacted the demand of desktop or Ultrabooks in the past few years. The prices of ultrathin PCs started to fall, and its demand would increase if its prices continue to fall. The shipment of ultrathin PCs is expected to increase to approximately 178.8 million units in 2017, also according to iSuppli Corporation. Although increase in ultrathin PCs generally does not favour the DRAM module market, its threat to DRAM modules is decreasing as the trend of ultrathin PCs using solder-down memory (memory being soldered directly to the motherboard) has now been declining and the use of DRAM modules on ultrathin PCs has been increasing.

Emerging of tablets in the past few years with shipment increased from approximately 18.2 million units in 2010 to 139.7 million units in 2012, weakens the demand of desktop PCs, laptop PCs and hence DRAM modules. Despite tablets have less computing power compared with personal computers, the unit shipment of tablets is expected to increase rapidly from approximately 207.7 million units in 2013 to approximately 378.3 million units in 2017 as tablet is a suitable substitute for common consumers who only need a personal computer for basic functions, e.g. email, browsing the internet, and watching videos. Increase in demand of tablets would result in shrinking of DRAM module market. However, given it cannot replace desktop PCs or laptop PCs, its impact on the demand of DRAM modules would be finite.

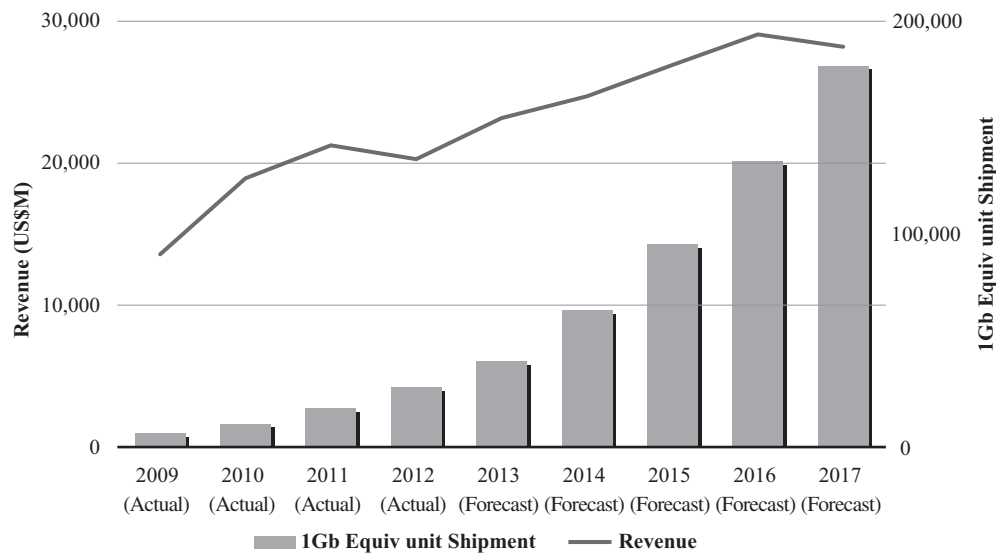
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NAND FLASH MARKET

Overview

NAND Flash is a type of electrically re-writeable memory semiconductor device. It is a non-volatile memory, which retains data even the power is off, and is characterized by fast writing speeds, as well as high density and low cost per bit (relative to other non-volatile memory), making it ideal for mass data storage applications. It is the mainstream technology for embedded and removable data storage.

Figure 14: NAND Flash shipment and revenue



Source: iSuppli Corporation

From 2009 to 2011, the NAND flash units shipped rose from 6,338 1Gb equivalent to 18,022 1Gb equivalent, representing a CAGR of approximately 68.6% with a growth in revenue from approximately US\$13.5 billion in 2009 to approximately US\$21.2 billion in 2011, but dropped to approximately US\$20.2 billion in 2012. It is expected that the growth in shipment will slow down to a CAGR of approximately 45.1% from 2013 to 2017 and reach 178,966 1Gb equivalent units of NAND flash shipment in 2017, with revenue increase from approximately US\$23.1 billion in 2013 to approximately US\$28.1 billion in 2017.

According to iSuppli Corporation, driven by mainly the increasing popularity of smartphones and tablets, the NAND flash market recorded growth in revenue and unit shipment from 2009 to 2011. In 2012, the NAND flash shipment increased to 28,007 1Gb equivalent units while the revenue slightly decreased to US\$20.2 billion due to oversupply environment attributable to (i) NAND flash suppliers' migration to advanced production and process technologies; and (ii) expansion in production capacity of NAND flash suppliers.

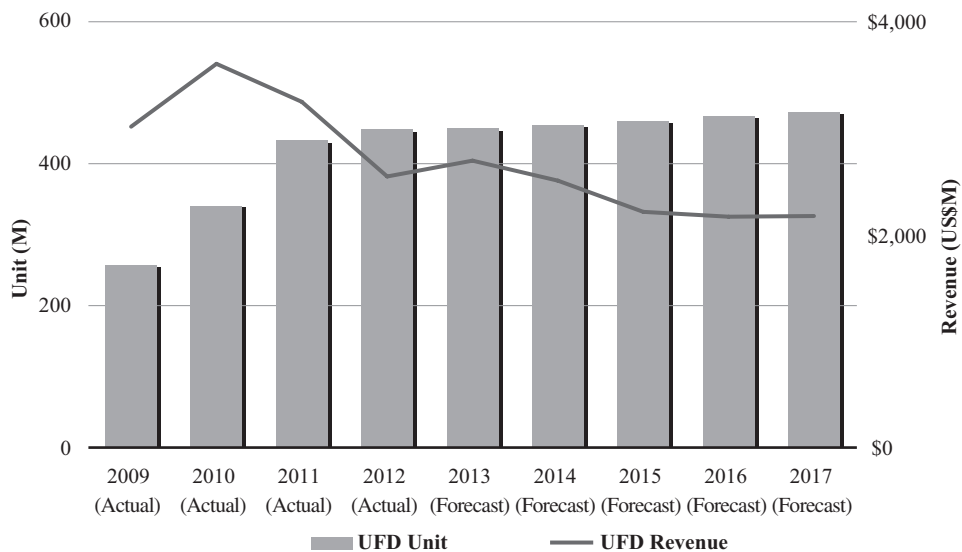
INDUSTRY OVERVIEW

The demand drivers for 2013 and onwards are expected to continually come from the smartphone and tablet markets, which are maturing, while the industry is relying on Intel's Ultrabook to provide much of the impetus for continued growth. NAND flash is required in every Ultrabook, either in the form of a cache drive or as a hard disk drive replacement. It is expected that the continued growth in embedded products (such as handsets, tablets and other portable devices) and SSDs will continue to drive steady growth in the NAND flash market from 2013 to 2016, but the growth rate of NAND flash shipment is expected to slow down resulting from the progressive market saturation.

USB FLASH DRIVE MARKET

Overview

Figure 15: Global USB flash drive unit shipment and revenue, 2009-2017



Source: iSuppli Corporation

From 2009 to 2012, the unit of USB flash drive shipped rose from approximately 256 million units to approximately 448 million units, representing a CAGR of approximately 20.5%, with a growth in revenue from approximately US\$3.0 billion in 2009 to approximately US\$3.6 billion in 2010, but dropped to approximately US\$3.2 billion in 2011 and further dropped to US\$2.5 billion in 2012. It is expected that the growth in shipment will slow down to a CAGR of approximately 1.1% from 2012 to 2017 and reach 473 million units of USB flash drive shipment in 2017, while the revenue will further drop from approximately US\$2.5 billion in 2012 to approximately US\$2.2 billion in 2017.

The USB flash drive market recorded strong growth in revenue and unit shipment in 2010 which was attributable to the supply demand balance and firm pricing in the upstream NAND component market, and driven by strong back to back performance in the third and fourth quarter of 2010 as consumer spending resumed on the back of improving economic conditions. The market saw strong demand driven by growth in emerging markets.

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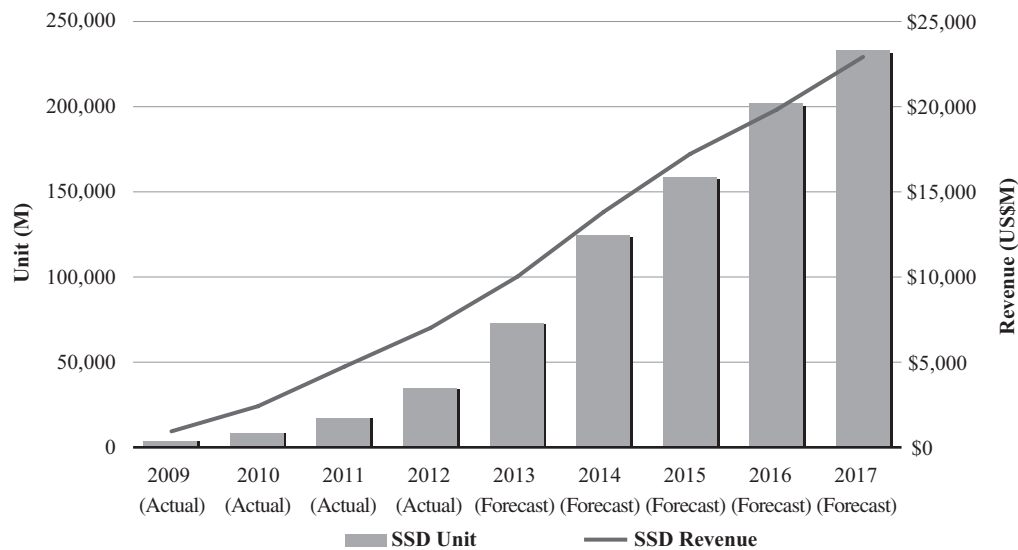
In 2011, the USB flash drive market posted unit growth of 27%, due to weak seasonality in the traditionally strong third and fourth quarter shopping season. In 2012, the USB flash drive market increased by approximately 3.6% to 448 million units, due to the demand in emerging markets. iSuppli Corporation expects the supply will remain stable during 2013 as the flash capacity is not expected to increase from 2012 together with the demand from emerging markets continue to growth. iSuppli Corporation expects normal seasonality to occur in 2012, but with the personal computer market currently languishing, the USB flash drive market is lacking a killer application to drive unit growth. One potential opportunity for the USB flash drive is in the higher-density applications that have traditionally been in the purview of hard disk drives, but such impact would not be significant since the cost comparison is still too high for this to be a major spur to USB flash drive shipment. Any excitement in this market is based on the transition towards USB 3.0, which should be hastened by the release of Intel’s Ivy Bridge Processor line, and the faster transmission speed should provide some much needed boost to USB shipment.

SSD MARKET

Overview

Solid-state drive, or “SSD”, is a data storage device that uses solid-state memory to store persistent data with the intention of providing access in the same manner of a traditional block input or output hard disk drive and many SSDs use NAND flash based memory. SSD are mainly applied to (i) boost server performance with host of other benefits such as lower power consumption and less floor area being occupied; and (ii) adopt Apple MacBooks and Ultrabooks due to SSD’s flexible form factor and better operation efficiency such as instant-on.

Figure 16: Global SSD unit shipment and revenue, 2009-2017



Source: iSuppli Corporation

SSD market has been an extremely competitive and diverse environment in the last few years, with contenders ranging from focused startups to NAND manufacturers to enterprise IT conglomerates. SSD market recorded revenue of US\$7 billion and shipment of 35 million units in 2012, representing a growth of 48% as compared to 2011 respectively.

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It is expected that the excitement of this market in 2013 will be Intel's Ultrabook plus Apple's broadening suite of SSD-equipped computers. Due to increasingly popular touch screens and refinements in Intel's Smart Response Technology caching software, cost improvements throughout the supply chain, and improved sentiment around Microsoft's Windows 8 OS, Ultrabooks should be a more compelling solution in 2013. Flash will further increase its footprint in Apple's annual Mac refresh, and Google's Chromebook initiative is starting to gain some traction though the choice of SSD utilization varies by manufacturer.

iSuppli Corporation forecasted that the global revenue generated from SSD will be increased to US\$22.9 billion in 2017, representing a CAGR of approximately 27% as compared to 2012, and the global shipment of SSD will be increased to 232.9 million units in 2017, representing a CAGR of approximately 46% as compared to 2012. Such increase is expected to be resulting from (i) the expected increase in popularity of SSD attributable to its benefits as compared to traditional enterprise server and; (ii) thinner and more portable notebooks are expected to get much popular over the years.

SSD Manufacturers

SSD by Company Revenue in million US\$ by Company for 2012

	2012
Samsung	\$1,251
Intel	\$1,012
Toshiba	\$632
Sandisk	\$444
Fusion-IO	\$440
Micron	\$393
Others	\$1,405
Total	\$5,577

Source: iSuppli Corporation

The top six SSD manufacturers by revenue were the flash vendors, plus Intel and the slowing Fusion-IO, combining for a dominant 76% market share. Asia is a fast-rising market, yet it remains very underdeveloped in SSDs compared to other computing-related segments. Although SSDs are increasingly available as options in OEM notebook PCs, SSD has not become as popular as other storage devices as the price of SSD is relatively higher as compared to other storage devices and the sales channel is currently too vast and raw to compel aftermarket purchases in Asia.

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This section sets out summaries of certain aspects of the PRC laws and regulations which are relevant to our Group's operation and business.

I. CHINESE LAWS AND REGULATIONS FOR WHOLLY FOREIGN-OWNED ENTERPRISES (“WFOEs”)

1. Approval and Registration of Establishment of WFOEs

The establishment, operation and management of corporate entities in the PRC are governed by *the Company Law of the PRC* (中華人民共和國公司法). This regulation was last amended on 27 October 2005 and became effective on 1 January 2006. This regulation governs foreign-invested limited liability companies and foreign invested joint stock limited companies. The establishment, modification, dissolution, corporate governance structure and daily operation of a wholly foreign-owned enterprise (“WFOE”) shall comply with the *Company Law*, *Law of the People's Republic of China on WFOE* (the “WFOE Law”), *Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises* (the “WFOEs Implementation Rules”) and other regulations and rules promulgated by the Administrative Department of Commerce of the State Council, the State Administration for Industry and Commerce and other departments of the State from time to time. According to the *WFOE Law*, an application to establish a WFOE shall be submitted for examination and approval to the department under the State Council in charge of foreign trade and economic cooperation, or to any other agency authorized by the State Council. According to the *WFOE Implementation Rules*, a foreign investor shall, within 30 days from the date of receiving the approval certificate issued by the examining and approving authority, apply for registration with and obtain business license from the Administrative Department for Industry and Commerce. The date of issue of the business license of the foreign-funded enterprise shall be the date of its establishment.

2. Foreign-invested Industry Guidance

Pursuant to the *Provisions on Guiding the Orientation of Foreign Investment*, which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, foreign-investment projects fall into four categories, namely encouraged, permitted, restricted and prohibited ones. Foreign-investment projects that fall in the encouraged, restricted and prohibited categories are listed in the *Catalog of Foreign-invested Industry Guidance*. Whereas foreign-investment projects that do not fall into any categories of encouraged, restricted or prohibited projects are permitted foreign-investment projects. Permitted foreign-investment projects are not listed in the *Catalog of Foreign-invested Industry Guidance*. According to the *Catalog of Foreign-funded Industry Guidance (2011)*, which was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 24 December 2011 and which became effective on 30 January 2012, the development and manufacture of high-capacity optical and disk drives as well as their parts fall into the category of encouraged projects. Therefore, Bodatong Shenzhen which manufactures computer memory products and multimedia players shall be the subject of “encouraged” foreign-investment projects. According to the *Circular of the State Council on Adjustment of Imported Equipment Taxation Policies*, the *Circular of the Customs General Administration on Import Taxation Policy for Further Encouraging Foreign Investment*, the *Circular on Adjustment of Part of Preferential Import Taxation Policies* and the provisions of other relevant policies, Bodatong Shenzhen's imported equipments are entitled to the preferential policies of exemption of import tariff.

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3. Profit Distribution of WFOEs

In accordance with *Rules for the Implementation of the Law of the People's Republic of China on WFOEs* which was amended on 12 April 2001 by the State Council, a WFOE shall retain certain amount from its profits after the income tax has been paid in accordance with Chinese tax law as reserve funds, bonus and welfare funds for workers and staff members. The amount retained for the reserve funds shall not be less than 10% of the profits (profits after the income tax has been paid), the withdrawal may stop when the accumulated amount withdrawn has been up to 50% of the registered capital of the enterprise. The amount retained for bonus and welfare funds for workers and staff members shall be determined by the foreign-funded enterprise itself. No WFOE may distribute its profits unless and until its deficits of previous fiscal years have been made up. Undistributed profits of the previous fiscal years may be distributed together with the distributable profits of the current fiscal year.

II. REGULATIONS ON PRODUCTION, IMPORTATION & EXPORTATION OF ELECTRONIC INFORMATION PRODUCTS

1. Production Supervision of Electronic Information Products

(1) *Product Quality Law of the People's Republic of China*

The quality of products in the PRC is governed by the *Product Quality Law of the People's Republic of China* (the "**Product Quality Law**"). This regulation was amended and promulgated by the Standing Committee of the National People's Congress on 8 July 2000 and came into effect on 1 September 2000. The Product Quality Law was enacted with the aim of regulating the supervision of product quality as well as setting out the liabilities for non-compliance of the regulation.

(i) *System for Product Quality Management*

According to the *Product Quality Law*, all producers and sellers shall have in place proper set of regulations concerning the management of product quality, post-oriented quality regulations, liabilities and measures for the assessment of the quality of products.

(ii) *System for Voluntary Certification of Enterprise Quality Control System*

Pursuant to the *Product Quality Law*, the State shall set up a system for certifying quality control system of business enterprises based on the quality control standards commonly accepted internationally. Business enterprises may voluntarily apply for certification of their quality control systems with the Product Quality Supervision and Control Departments under the State Council. Alternatively, business enterprises may apply for certification of their quality control systems by other quality certification organizations recognized and authorized by the Quality Supervision and Control Departments under the State Council. Certificates for quality control systems shall be issued to enterprises which pass the certification.

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(iii) System for Voluntary Certification of Product Quality

According to the *Product Quality Law*, the State shall set up a system for certifying the quality of products by reference to the internationally advanced product quality standards and technical requirements. Business enterprises may voluntarily apply for certification of the quality of their products with the Product Quality Supervision and Control Departments under the State Council. Alternatively, business enterprises may also apply for certification of their product quality by organizations recognized by the departments authorized by the Quality Supervision and Control Departments under the State Council. Business enterprises which pass the certification shall be issued a certificate and allowed to use quality certification marks on their products or the packaging of their products.

(2) *Administrative Measure for Control of Pollution Caused by Electronic Information Products*

(i) Control of Pollution Caused by Electronic Information Products

The Ministry of Information Industry, State Development and Reform Commission, Ministry of Commerce, General Administration of Customs, State Administration for Industry and Commerce, State Administration of Quality Supervision, Inspection and Quarantine and State Administration of Environmental Protection jointly promulgated the *Administrative Measure for Control of Pollution Caused by Electronic Information Products* (the “**China RoHS**”) on 28 February 2006 and which became effective on from 1 March 2007.

The *China RoHS* governs the control and reduction of pollution and other public hazards caused by “*electronic information products*” to the environment in the process of production, sale and import of electronic information products within the territory of the People’s Republic of China. The *China RoHS* does not govern products manufactured for export purposes. “Electronic information products” refers to products produced with electronic information technologies, including electronic radar products, electronic communication products, radio and television products, computer products, home electronic products, electronic measurement devices products, special electronic products, electronic element and component products, electronic application products, electronic material products, etc., as well as the parts and components thereof. The computer products manufactured by Bodatong Shenzhen are therefore regulated by the *China RoHS*.

Pursuant to the *China RoHS*, the term “*control of pollution caused by electronic information products*” shall refer to the following measures adopted to reduce or eliminate the toxic or noxious substances or elements contained in electronic information products: (1) the technical measures such as changing the research and design scheme, adjusting the workflow, replacing the materials or renovating the method of production in the process of design or production; (2) the

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measures such as indicating the names and contents of toxic or noxious substances or elements, indicating the environmental protection use life of the electronic information products in the process of design, production, sale or import; (3) the measures such as rigidly limiting the purchasing channels, or refusing to sell the electronic information products which do not meet the national or industrial standards for the control of toxic or noxious substances or elements of electronic information products in the process of sale; (4) prohibiting the import of electronic information products which do not meet the national or industrial standards for the control of toxic or noxious substances or elements of electronic information products; (5) other pollution control measures prescribed in the present Measures. Accordingly, designer of electronic information products shall design electronic information products in compliance with the national or industrial standards concerning the control of toxic or noxious substances or elements of electronic information products and adopt schemes that are innocuous and harmless or of low-toxicity and less harmful as well as easily degradable and recyclable while satisfying the technological requirements.

(ii) *Voluntary Certification of Control of Pollution Implemented by the State*

The Certification and Accreditation Administration of the People's Republic of China and the Ministry of Industry and Information Technology of the People's Republic of China jointly promulgated the *Implementation Opinions of Voluntary Certification National Unity Implementation of Control of Pollution Caused by Electronic Information Product Uniformly Implemented by the State* on 18 May 2010, triggering the Voluntary Certification of China RoHS (the "**Voluntary Certification of China RoHS**"). The Certification and Accreditation Administration of the People's Republic of China and Ministry of Industry and Information Technology of the People's Republic of China take measures to encourage and support the producers, sellers, importers of electronic information products to apply for the Voluntary Certification of China RoHS for the production, sale, import of their electronic information products, such incentives include: 1. Promote the acknowledgment of the results of Voluntary Certification of China RoHS from pollution control of electronic information products compulsory certification; 2. Make efforts to grant various support and encourage policies from the taxation departments to the products as well as the relevant enterprises which meet the requirements of Voluntary Certification of China RoHS; 3. Make efforts to push the national procurement departments to procure the products passing Voluntary Certification of China RoHS with priority; 4. In accordance with the principle of equality and mutual benefit, promote the international mutual recognition of China RoHS; 5. Formulate relevant measures to promote the research, development and popularization & application of new technologies of control of pollution caused by electronic information products.

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2. Regulation of Import and Export of Electronic Information Products

(1) *Archival System for Foreign Trade Business Operators*

The Foreign Trade Law of the People's Republic of China which was amended on 6 April 2004 and became effective on 1 July 2004 requires that, any foreign trade operators engaging in the import and export of goods or technologies to register for archival purposes with the Administrative Department of Foreign Trade of the State Council or the institutions entrusted thereby, unless it is otherwise provided for by any law, administrative regulation or the foreign trade department of the State Council. The specific measures for archival registration shall be formulated by the foreign trade department of the State Council. In the event where a foreign trade operator fails to file for archival registration in accordance to the relevant provisions, local customs may not handle the procedures concerning customs declarations and also may not release the imported or to be exported goods. Bodatong Shenzhen shall go through the archival registration of foreign trade business operators according to law.

(2) *System on Declaration Registration*

Pursuant to the *Customs Law of the People's Republic of China* which was amended on 8 July 2000 and became effective on 1 January 2001, senders or receivers of goods exported or imported as well as their representatives shall register themselves for declaration activities at the Customs office. In addition, those persons declaring shall present proof of qualifications. No business enterprises or persons can conduct any declaration activities at the Customs office without registration with or qualification obtained from the Customs office. Representatives of business enterprises or persons shall not act as illegal agents for others or conduct any declaration activities outside of their business scope.

In accordance with the *Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities* which was amended on 31 March 2005 and became effective on 1 June 2005, a declaration entity making declarations shall register with the Customs in accordance with these Provisions unless otherwise prescribed in any law, administrative regulation or Customs rule. The registration of declaration may be divided into registration for declaration enterprises and registration for consignors and consignees of imported or exported goods. A consignor or consignee of imported or exported goods shall make declarations through its declarants, or shall entrust a declarant enterprise which has been approved by the Customs to register declarations through the relevant enterprise's declarants. As Bodatong Shenzhen engages in declaration affairs, it shall go through registration formality according to law.

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(3) *Inspection System on Import and Export Commodities*

The *Law of the People's Republic of China on Import and Export Commodity Inspection* (the "**Commodity Inspection Law**") which was amended on 28 April 2002 and became effective on 1 October 2002 and the *Regulations for the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection* which was promulgated on 10 August 2005 and became effective on 1 December 2005 provide that the General Administration of Quality Supervision, Inspection and Quarantine of the PRC shall formulate and adjust the Catalog of Import and Export Commodities Subject to Compulsory Inspection (the "**Catalog**"), and promulgate it for implementation. The entry-exit inspection and quarantine organs shall conduct inspection (hereinafter called as the statutory inspection) on the import and export commodities listed in the Catalog and other import and export commodities that shall be subject to the inspection of the entry-exit inspection organs as prescribed by laws and administrative regulations. The import and export commodities which are subject to statutory inspection shall be inspected subject to the entry-exit inspection and quarantine organs pursuant to the compulsory requirements of the State technological criterion. The requirements of the State technological criterion shall be formulated timely according to law if there are no such requirements yet. The entry-exit inspection and quarantine organs shall make random inspection on the import and export commodities that are not subject to statutory inspection in accordance with the state provisions. As computer memory products and multimedia players exported by Bodatong Shenzhen fall within the range of products stipulated in the *Import and Export Commodity Catalogue of the Inspection and Quarantine implemented by the entry-exit inspection and quarantine organs (2012)*, such products shall in accordance with the provisions of the *Commodity Inspection Law* and its *Regulations for the Implementation*, be inspected by the entry-exit inspection and quarantine organs.

III. REGULATIONS ON SALES OF ELECTRONIC INFORMATION PRODUCTS

1. Price Law

In accordance with the *Price Law of People's Republic of China* adopted on 29 December 1997 and became effective on 1 May 1998, the law is applicable to all the price behaviors that occur within the territory of the People's Republic of China. The term "price" used in this law includes prices of all kinds of merchandise and prices of all kinds of services. In marketing and purchasing merchandises or providing services, business operators should clearly mark the related prices, specify names, places of origin, specifications, grades, price units, prices of items, fee collection standards and other related information according to the government's regulations. Business operators must not sell merchandises at prices above the marked prices or collect fees not specified.

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2. System on Protection of Consumers

(1) *Law of the People's Republic of China on Protection of Consumer Rights and Interests*

In accordance with *Law of the People's Republic of China on Protection of Consumer Rights and Interests* promulgated on 31 October 1993 and became effective on 1 January 1994 by Standing Committee of the National People's Congress, the rights and interests of consumers in purchasing and using commodities or receiving services for daily consumption shall be under the protection of the present Law, or under the protection of other relevant laws and regulations in absence of stipulations in this Law.

(a) *Obligations of Business Operators*

- (i) Business operators shall guarantee that the commodities and services they supply meet the requirements for personal or property safety. As to commodities and services liable to harm personal or property safety, business operators shall give the consumers truthful explanation and clear out warnings, and shall explain or indicate the correct ways of using the commodities or receiving services as well as the methods of preventing damage. Business operators shall, upon discovery of serious defects of the commodities or services they supply which are liable to harm personal or property safety even though the commodities are correctly applied or services are received in a correct way, immediately report to the administrative departments concerned and inform the consumers, and adopt measures to prevent damage.
- (ii) Business operators shall provide consumers with authentic information concerning their commodities or services, and may not make any false and misleading propaganda. Business operators shall give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof. Shops shall mark clearly the prices of the commodities they supply.
- (iii) Business operators who supply commodities or services shall make out for consumers invoices for purchases or documents of services in accordance with relevant regulations of the State or commercial practices; business operators must produce such invoices or documents in case consumers so demand.

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- (iv) Business operators shall guarantee the quality, functions, usage and term of validity which the commodities or services they supply should possess under normal operation or acceptance, except where consumers are aware of the defects before they buy the commodities or receive the services. Business operators who employ advertisements, product instructions, samples or other ways to demonstrate the quality state of their commodities or services shall guarantee that the actual quality of the commodities or services they supply is in conformity with that demonstrated.
- (v) Business operators who are under the obligation of repairing, replacement or return or other responsibilities in accordance with regulations of the State or agreements with consumers shall carry out such obligations correspondingly according to such regulations or agreements, and may not delay deliberately or refuse unreasonably to do so.
- (vi) Business operators may not, through formal contracts, notices, announcements, entrance hall bulletins and so on, impose unfair or unreasonable rules on consumers or reduce or avoid their civil liability for their infringement of the legitimate rights and interests of consumers. Formal contracts, notices, announcements, entrance hall bulletins and so on with contents as aforesaid shall be invalid.

(b) *Settlements of Disputes*

Consumers whose legitimate rights and interests are infringed upon in their purchasing or using commodities may demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers or the other sellers. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers. Consumers whose legitimate rights and interests are infringed upon in receiving services may demand compensations from suppliers of the services.

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(2) *Provisions on Responsibilities of Repair, Replacement and Return of Micro-computers Goods*

In accordance with *Provisions on Responsibilities of Repair, Replacement and Return of Micro-computers Goods* jointly promulgated by State Administration of Quality Supervision, Inspection and Quarantine and Ministry of Information Industry on 23 July 2002, manufacturers (the suppliers and importers of micro-computers goods are regarded as the manufacturers) shall bear the following liabilities and responsibilities:

- (i) Each micro-computer shall be accompanied with a specification in Chinese, a product certification and a certification of Three Guarantees (Repairment, Replacement and Return Guarantees) for Product Quality; the specifications shall be drafted in light of the National Standard GB5296.1 *Specifications for Consumer Goods* and GB5296.2 *Specifications for Household and Similar Purposes Electricals*; the specifications shall specify the configuration and compatibility of hardware and software of micro-computer goods, clearly express operation procedures of basic functions of the products; the certifications of Three Guarantees for product quality shall comply with the requirements of the *Certifications of Three Guarantees for Product Quality of Micro-computer goods of Provisions on Responsibilities of Repair, Replacement and Return of Micro-computers Goods*;
- (ii) The manufacturers shall repair by itself or designate qualified repair units to take charge of the repairing of the productions during the period of the Three Guarantees for product quality, and supply the names, addresses, contact numbers of the repair units; where the names, addresses, contact numbers of the repair units are cancelled or changed, the consumers shall be notified immediately;
- (iii) Provide qualified and sufficient repair fittings to meet the requirements of repair in accordance with the relevant provisions of agency contracts or agreements on repairing;
- (iv) Provide repair expenses during the period of the Three Guarantees for Product Quality in accordance with the relevant provisions of agency contracts or agreements on repairment, and all repair expenses occurred during each stage of products circulation shall be paid in full to repairers without withholding;
- (v) Provide technological materials, technical trainings and other technological supports in accordance with the relevant provisions of agency contracts or agreements on repairing;
- (vi) Deal with complaints, inquiries from customers properly and provide consulting service promptly.

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IV. INTELLECTUAL PROPERTY LAW

Trademark Law of the People's Republic of China

In accordance with *Trademark Law of the People's Republic of China* amended on 27 October 2001 by Standing Committee of the National People's Congress, registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks; trademark registrants shall be entitled to the exclusive right to use their trademarks and shall be protected by law. A trademark registrant may, by entering into a trademark licensing contract, authorize another person to use its registered trademark. The licensor shall supervise the quality of the commodities upon which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used. A person licensed to use the registered trademark of another person must indicate the name of the licensee and the origin of the commodities on the commodities upon which that registered trademark is used. The trademark licensing contract shall be submitted to the Trademark Office for archival purposes.

V. LAWS AND REGULATIONS ON TAX

1. Enterprises Income Tax Law

The *Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises* was abolished on 1 January 2008.

This regulation was replaced by the *Enterprise Income Tax Law of the People's Republic of China* (the "**Enterprise Income Tax Law**") which was promulgated on 16 March 2007 and became effective on 1 January 2008. Pursuant to the *Enterprise Income Tax Law*, all enterprises and other organizations with incomes shall be subject to enterprise income tax and shall pay their enterprise income tax in accordance with this Law. The enterprise income tax rate shall be 25%. As a WFOE established within the territory of the PRC, Bodatong Shenzhen shall pay their enterprise income taxes in accordance with the *Enterprise Income Tax Law and its Rules of Implementation*.

2. Value Added Tax

Pursuant to the *Interim Regulation of the People's Republic of China on Value Added Tax* (the "**Value Added Tax**") amended on 5 November 2008 and became effective on 1 January 2009, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing services, repair and replacement services and the importation of goods are required to pay value added tax ("**VAT**") as prescribed by this regulation. Any VAT exemption and reduction shall be prescribed by the State Council save for those provided under Article 15.

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Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Labor Services (No. 39 [2012] of the Ministry of Finance) which was promulgated on 25 May 2012 and became effective on 1 November 2011 and the *Circular of Processing with Supplied Materials and Imported Materials Tax Exemption of Foreign Invested Enterprises* which was promulgated by the State Administration of Taxation on 10 October 2000 and other relevant policies, goods exported by export enterprises are exempted from VAT. Goods and materials which are imported by foreign-invested enterprises into the PRC for use in manufacturing products are also exempted from VAT. VAT is also exempted for finished goods and processing fees for export. Therefore, the products exported overseas by Bodatong Shenzhen shall enjoy the above exemptions.

3. City Maintenance and Construction Tax, Educational Surtax and Local Educational Surtax

Pursuant to the *Circular on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals* which was promulgated by the State Council on 18 October 2010, from 1 December 2010, the *Interim Regulations of the People's Republic of China on Urban Maintenance and Construction Tax* promulgated in 1985 and the *Interim Provision on the Collection of Educational Surtax* promulgated in 1986 by the State Council shall apply to foreign-invested enterprises, foreign enterprises and individuals.

Pursuant to the *Interim Regulation of the People's Republic of China on Urban Maintenance and Construction Tax* which was promulgated and became effective in 1985 and the *Interim Provision on the collection of Educational Surtax* which was promulgated and became effective in 1986, the Notice of the Ministry of Finance on Unifying the Policies of Local Educational Surtax which was promulgated and became effective in 2010 and the Notice of the General Office, the People's Government of Shandong Province on Issuing the Interim Measures for the Collection and Use of Local Educational Surtax of Shandong Province which was promulgated and became effective in 2011, all units and individuals liable to consumption tax, value added tax, business tax shall be required to pay urban maintenance and construction tax, educational surtax and local educational surtax. The computation of the urban maintenance and construction tax, the educational surtax and local educational surtax shall be based on the amount of value added tax, business tax and/or consumption tax which a taxpayer actually pays.

According to the *Supplementary Provisions on Several Specific Business Issues of Urban Maintenance and Construction Tax* promulgated by the Ministry of Finance and State Administration of Taxation on 4 June 1985, where product tax and value added tax of export products are refunded, urban maintenance and construction tax shall not be refunded. However, if product tax, value added tax and business tax are refunded as a result of deductions and exemptions, then the paid urban maintenance and construction tax shall be refunded at the same time.

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4. Tariff Law

Pursuant to the *Regulations of the People's Republic of China on Import and Export Duties* (the "**Regulations of Duties**") which was promulgated on 23 November 2003 and became effective on 1 January 2004, all goods permitted to be imported into or exported out of PRC as well as articles allowed to enter into the PRC shall, unless otherwise provided for by the State Council, be subject to payment of customs duties on imports or exports in accordance with the present Regulations of Duties.

According to the relevant provisions, customs duties and product tax (or value added tax) shall be exempted for materials imported for use in the processing of products for export. In addition, finished products shall also be exempted from export duties. Therefore, the products exported overseas by Bodatong Shenzhen shall also enjoy duty exemption.

5. Stamp Duty

Pursuant to the *Provisional Rules of the People's Republic of China on Stamp Duty* (the "**Provisional Rules of the Stamp Duty**") which was promulgated on 6 August 1988 and became effective on 1 October 1988, all businesses and individuals which conclude or receive any of the documents listed in these Rules shall be liable to pay stamp duty as stipulated by the Provisional Rules of the Stamp Duty. Documents which shall be regarded as taxable documents are (1) documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; (2) documents relating to the transfer of property title; (3) business books of account; (4) documentation of rights or licenses; (5) other documents determined by the Ministry of Finance to be taxable.

6. Special Tax Adjustments

Pursuant to the New Enterprise Income Tax Law and its implementation rules and the Implementation Regulations for Special Tax Adjustments (Trial)* (《特別納稅調整實施辦法(試行)》), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related parties transactions. According to the New Enterprise Income Tax Law and the Implementation Regulations for Special Tax Adjustments (Trial)* (特別納稅調整實施辦法(試行)), related parties transactions should comply with the arm's length principle (獨立交易原則); and if the failure of compliance with such principle results in reducing the income or taxable income of the enterprise or its related parties, the tax authority has the power to make an adjustment in accordance with reasonable methods. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing contemporaneous documents: (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are covered under an effective advance pricing

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arrangement; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties. However, according to the Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions (Letter No. 363 [2009] of the State Administration of Taxation), if a PRC enterprise, which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto, encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or not, it would need to prepare the relevant information and file the same with the relevant tax authority before 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities.

VI. REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

1. Foreign Exchange Regulations

The principal regulation governing foreign currency in the PRC is the *Regulation of the People's Republic of China on Foreign Exchange Administration* which was amended on 1 August 2008 and promulgated on 5 August 2008.

This Regulation is applicable to foreign-invested enterprises in the PRC. Under these rules, the Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfers, direct investment, investment in securities, derivative products or loans unless prior approval of the State Administration of Foreign Exchange of the PRC (“SAFE”) was obtained.

Under this regulation, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (board resolutions, tax certificates, etc.) or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or filing with the relevant governmental authorities (if necessary).

2. Dividend Distribution

The PRC and the government of Hong Kong SAR signed the *Arrangement between the Mainland of PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC

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company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interest of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interest of the PRC company.

Furthermore, pursuant to the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty*, which was promulgated and became effective on 20 February 2009, all of the following requirements should be satisfied before a fiscal resident of the other party to the tax treaty may be entitled to the tax treaty treatment which is taxed at a rate specified in the tax treaty in respect of the dividends paid to it by a PRC resident company: a) such a fiscal resident in receipt of dividends should be a company as provided in the tax treaty; b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the acquisition of the dividends, reaches the percentage specified in the tax treaty.

In addition, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial), which became effective on 1 October 2009, in order for a non-resident enterprise (as defined under the PRC tax laws) in receipt of dividends from PRC resident enterprises to enjoy the tax benefits under the tax treaties, an application for approval to the competent tax authority must first be submitted. The non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties without such approval.

VII. LAWS AND REGULATIONS ON POLLUTION PROTECTION

The business of manufacturing electronic information products is governed by the Chinese environmental protection laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* (collectively referred to as the "**Environmental Protection Law**").

These laws supervise several categories of environmental protection affairs, including atmospheric pollution, environmental noise, discharge of polluted water and rubbish and so on.

According to the provisions of the Environmental Protection Law, construction projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects. A construction unit should, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the competent department of environmental protection administration for approval. For a construction project that does not require feasibility study pursuant

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to relevant state provisions, the construction unit shall, prior to the commencement of the construction of the construction project, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard imposed by the competent department of environmental protection administration that examined and approved the environmental -impact statement.

The construction unit shall, upon the completion of the construction project, file an application with the competent department of environmental impact report, environmental impact statement or environmental impact registration form, for acceptance checks to be conducted so as to ensure that the construction of matching environmental protection facilities required for the said construction project has been properly completed. For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

VIII. LABOUR, SOCIAL INSURANCE AND PRODUCTION SAFETY LAWS

1. Labour Law and Social Insurance Law

Laws that govern labour and social insurance in the PRC includes *Labour Law of the People's Republic of China* (the "**Labour Law**"), the *Labour Contract Law of the People's Republic of China* and its Regulation on Implementation (the "**Labour Contract Law**"), the *Regulations on Employment Injury Insurance*, the *Regulations on Unemployed Insurance*, the *Trial Measures for Enterprise Employees Maternity Insurance*, the *Interim Measures on Registration and Management of Social Insurance*, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums and regulations* and standard documents regarding labour and social insurance of running business in China promulgated by relevant governmental departments from time to time.

For the purposes of regulating social insurance relations, protecting the legitimate rights and interests of citizens participating in social insurance and enjoying social insurance benefits, the *Social Insurance Law of the People's Republic of China* was adopted at the 17th meeting of the Standing Committee of the 11th National People's Congress of the People's Republic of China on 28 October 2010 (the "**Social Insurance Law**").

Pursuant to the *Labour Law* and the *Labour Contract Law*, if an employer enters into an employment relationship with an employee, a written labour contract shall be concluded within one month from the date of employment. If an employer fails to conclude a written labour contract with the employee for more than one month but less than a year from the date employment starts, the employer shall pay the employee two times his salary for each month. Further, if the employer fails to conclude a written labour contract with the employee within one year from the date of employment, an open-ended contract shall be deemed to have been entered into between the employer and employee. The wage of an employee shall not be lower than the minimum wage prescribed by the local law in which the employer is located.

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The employer shall also establish and perfect its system for labour safety and sanitation, strictly abide by State rules and standards on labour safety and sanitation, educate labourers in labour safety and sanitation, prevent accidents in the process of labour, and reduce occupational hazards. Labour safety and sanitation facilities shall meet standards fixed by the State. The employer shall provide labourers with labour safety and sanitation conditions meeting the stipulations and necessary articles of labour protection provided by the State, and carry out regular health examination for labourers engaged in work with occupational hazards. The employer shall also establish a system for professional training, extract and use funds for professional training according to State regulations, and provide labourers with professional training in a planned way and according to its specific conditions. Labourers who will be engaged in technical work shall receive training before taking up their posts.

According to the provisions of the *Social Insurance Law*, the *Regulations on Employment Injury Insurance*, the *Regulations on Unemployed Insurance*, the *Interim Measures for Enterprise Employees Maternity Insurance*, the *Interim Measures on Registration and Management of Social Insurance*, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums*, employees shall participate in the basic endowment insurance, basic medical insurance, employment injury insurance, unemployed insurance, maternity insurance, among which, the basic endowment insurance, the basic medical insurance, the unemployed insurance shall be paid by the employer and individual together, and the employment injury insurance, maternity insurance shall be paid by the employer.

The *Regulation on the Administration of Housing Accumulation Funds* which was amended and became effective on 24 March 2002, were applicable to enterprises with foreign investment. Enterprises are required to pay housing provident fund contributions for their employees. Enterprises shall register with the relevant housing provident fund management centre within 30 days from the date of establishment, and open housing provident fund accounts with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management centre. When employing new employees, the enterprises shall register with the housing provident fund management centre within 30 days from the date of employment, and open housing provident fund accounts for such employees at the designated bank with the verified documents of the housing provident fund management centre. Furthermore, the housing provident fund contributions to be paid and deposited by an employee shall be withheld from his/her salary by the enterprise, and the enterprise itself shall pay and deposit housing provident fund contributions on schedule and in full. It must not delay in making payment and deposit or underpay the housing provident fund contributions. The payment and deposit rate for housing provident fund (either for the employee or for the enterprise) shall not be less than five percent of the average monthly salary of the employee concerned in the previous year.

Pursuant to Shenzhen Interim Regulation on Social Insurance (Shen Fu [1992]No.128), Detailed Rules for the Implementation of Shenzhen Interim Regulation on Social Insurance on Pension Insurance of Employees and Housing Accumulation Fund (Shen Fu [1992]No.179), relevant provisions in relation to housing accumulation funds apply to permanent employees and contract employees who have permanent residences in Shenzhen. In practice, for an employee

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who purchases a house, the employer may pay the housing accumulation fund payable to the employee himself. For an employee who rents a house, the employer may deduct the rent from the housing accumulation fund and pay the remaining to the employee monthly.

Shenzhen promulgated the Shenzhen Interim Measures on the Administration of Housing Accumulation Funds (which became effective on 20 December, 2010) on 24 November, 2010 and Shenzhen Interim Regulations on the Administration of Payment and Deposit of Housing Accumulation Funds (which become effective on 20 December, 2010) on 16 December, 2010. These two regulations stipulate that enterprises shall deposit housing accumulation funds for the incumbent employees with or without local household registration. For an employer established before the enforcement of Shenzhen Interim Measures on the Administration of Housing Accumulation Funds, it shall go through payment and deposit registration of housing accumulation funds within 6 months of the implementation of the Shenzhen Interim Measures on the Administration of Housing Accumulation Funds.

Pursuant to Notice of Local Tax Bureau of Shenzhen Guangdong Province Concerning Personal Income Tax Deduction Policy Connection Problem in the New System of Housing Accumulation Funds and other relevant provisions, enterprises and institutions in Shenzhen shall go through payment and deposit registration of housing accumulation funds within 6 months from 20 December 2010. From 20 December 2010 to 19 June 2011, individuals who fail to go through payment and deposit registration of housing accumulation funds are allowed to deduct the housing subsidies which are less than RMB 2803 and calculated at 13% of the total amount of monthly salary.

2. Production Safety Law

The Production Safety Law of the People's Republic of China was promulgated on 29 June 2002 and became effective on 1 November 2002. This law is applicable to entities that are involved in the production and business operation activities in the PRC. The production and business operation entities shall have in place a policy concerning the conditions for safe production as required by present law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that does not have a policy in place may not engage in production and business operation activities. The production and business operation entities shall also offer education and training programmes to employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, knowledge of the relevant regulations and rules for safe production and the rules for safe operation, and also to master the skills of safe operation in their own positions. Employees who fail the education and training programmes on production safety may not commence working in their position.

Further, the designing, manufacturing, installation, using, checking, maintenance, reforming and safe disposal of useful safety equipments shall also be in conformity with the national standards or industrial standards. The production and business operation entities shall also provide labour protection articles that meet the national standards or industrial standards to their employees as well as to supervise and educate them how the articles should be worn and the uses of the relevant articles as required by the rules.

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IX. OTHER LAWS AND REGULATIONS

Archival System on Leasing Registration

Pursuant to the *Administrative Measures for Commodity House Leasing* which was promulgated on 1 December 2010 and become effective on 1 February 2011, the parties to house leasing shall, within 30 days after the conclusion of the house leasing contract, handle the house leasing registration and filing formalities at the construction (real estate) administrative department of the people's government of the municipality directly under the Central Government, city or county at the place where the leased house is located. A party to house leasing may entrust another person to handle lease registration and filing formalities in writing.

Pursuant to the *Shenzhen Special Economic Zone Regulations on Leasing Management* which was amended and became effective on 16 April 2004, where a leasing relationship is established or changed, the parties shall, within ten days of the execution of the Leasing Agreement, go to the district authorities to register the Leasing Agreement for record purposes.

Save as disclosed in the section "Business - Litigation and Legal Compliance", our Group has complied with all the applicable PRC and Hong Kong laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

INTRODUCTION

Our Company was incorporated in the Cayman Islands on 23 February 2011 as the holding company of our Group. Golden Profit is a direct wholly-owned subsidiary of our Company incorporated in the BVI on 16 November 2010, which in turn directly owns the entire equity interest in Great Success, Treasure Fantasy and Top Harvest.

Great Success, Treasure Fantasy and Top Harvest are incorporated in the BVI on 4 January 2011, 10 January 2011 and 4 January 2011 respectively. Great Success and Treasure Fantasy are the intermediate holding companies holding directly or indirectly the operating subsidiaries of the Group, namely Goldenmars HK, Boda International and Bodatong Shenzhen. Pursuant to the Reorganization, Great Success is holding the entire equity interest in Goldenmars HK, Treasure Fantasy is holding the entire equity interest in Boda International which in turn holds the entire equity interest in Bodatong Shenzhen. Top Harvest is holding the property used by our Company as our office premises in Hong Kong.

BACKGROUND AND HISTORY

Our Controlling Shareholders, Mr. George Lu and Ms. Shen Wei (spouse of Mr. George Lu), were introduced to the DRAM module trading business through their acquaintances in the U.S. in 1990s. Ms. Shen Wei set up a company named Goldenmars Inc. (now known as Luwei Inc.) in 1997 to engage in trading business of DRAM modules. Ms. Shen Wei has been a director of Luwei Inc. since its incorporation and has been responsible for the finance and administrative management of the company. Mr. George Lu took care of the business together with Ms. Shen Wei and was responsible for the general operation and strategic planning of the company. Taking into account that DRAM module business environment in the U.S. was fairly competitive and the prospect to expand the business there was low, Mr. George Lu and Ms. Shen Wei decided to explore DRAM module business opportunities in Asia in 2004. They initially planned to set up a DRAM module manufacturing plant in Taiwan. However, before they settled in Taiwan, Mr. George Lu foresaw the better business environment in Hong Kong and the PRC in that Hong Kong has on the one hand a good international infrastructure for trading business with close proximity to the PRC market whereas on the other hand the PRC is a hub for manufacturing plants.

In 2005, Mr. George Lu through his cousin Ms. Wang Li and his acquaintance in Taiwan Mr. Wu Teh-Min, Max, set up a company in Hong Kong to prepare for the establishment of the DRAM module business for the sake of convenience. In mid 2006, Mr. George Lu left Taiwan for Hong Kong and took up the management of the business in Goldenmars HK. In 2007, Mr. George Lu and Ms. Shen Wei implemented their plan to set up a manufacturing plant in Shenzhen. Ms. Shen Wei hence set up Boda International with a number of acquaintances as the holding company of the wholly-foreign owned enterprise to be established in Shenzhen. Mr. George Lu and Ms. Shen Wei have been overseeing the business and operation of Goldenmars HK, Boda International and Bodatong Shenzhen together all along.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Important Milestones

The following table summarizes the milestones of the business development of our Group:

2005	Incorporation of Goldenmars HK Goldenmars HK started off as a trading company for sale and purchase of DRAM modules and DRAM chips
2007	Establishment of Bodatong Shenzhen to operate the production plant for manufacturing of DRAM modules and USB flash drives The then annual production capacity was approximately 1.5 million units of DRAM modules and approximately 0.4 million units of USB flash drives
2011	Expansion of the production plant by purchasing two additional SMT production lines and the annual production capacity was increased to approximately 2.9 million units of DRAM modules and approximately 0.9 million units of USB flash drives

Incorporation and changes in ownership of our operating subsidiaries from 2005 to 2011

Goldenmars HK

On 26 April 2005, Goldenmars HK was incorporated and commenced its operations in Hong Kong under its previous name of Asia-Pacific Technology Development Limited. It changed to its present name on 22 December 2005. The principal business activity of Goldenmars HK is the trading of DRAM modules and DRAM chips.

Company Kit Secretarial Services Limited subscribed for 1 share in Goldenmars HK on incorporation. 50 and 49 shares in Goldenmars HK were allotted to Ms. Wang Li, cousin of Mr. George Lu, and Mr. Wu Teh-Min, Max on 20 May 2005 respectively. The one subscription share in Goldenmars HK was transferred by the subscriber to Ms. Wang Li on 13 June 2005. On 11 January 2006, Mr. Wu Teh-Min, Max transferred his entire shareholding of 49 shares in Goldenmars HK to Ms. Wang Li.

9,900 shares were allotted to Mr. George Lu on 31 May 2006. On 1 June 2006, Ms. Wang Li transferred all 100 shares she held in Goldenmars HK to Mr. George Lu and Mr. George Lu became the sole legal and beneficial owner of the entire issued share capital of Goldenmars HK.

By a shareholders' meeting on 20 September 2006, the authorized share capital of Goldenmars HK was increased from HK\$10,000 divided into 10,000 shares of HK\$1 each to HK\$43,000,000 divided into 43,000,000 shares of HK\$1 each by the creation of 42,990,000 shares of HK\$1 each with such shares to rank pari passu with the existing shares of Goldenmars HK on issue. On even date, 42,990,000 shares were issued to Mr. George Lu at par. Mr. George Lu remained as the sole legal and

HISTORY, REORGANIZATION AND GROUP STRUCTURE

beneficial owner of the entire issued share capital of Goldenmars HK since then until 28 February 2010, when Mr. George Lu transferred 2,150,000 of his shares in Goldenmars HK to his spouse, Ms. Shen Wei. Accordingly, Mr. George Lu and Ms. Shen Wei became interested in 95% and 5% of the issued share capital of Goldenmars HK respectively.

Boda International

Boda International was incorporated in Hong Kong on 10 April 2007. It changed its name to Boda Technology (Hong Kong) Co. Limited on 8 August 2008 and changed its name back to Boda Technology (International) Limited on 14 February 2011. Boda International's principal business activity is investment holding. It is the sole holding company of Bodatong Shenzhen as Bodatong Shenzhen was established as a wholly foreign owned enterprise.

V & F (Nominees) Limited subscribed for 1 share in Boda International on incorporation. On 10 April 2007, the 1 subscriber share was transferred by V & F (Nominees) Limited to Ms. Shen Wei, and the following parties including Ms. Shen Wei and the acquaintances of Mr. George Lu and Ms. Shen Wei who were interested in investment in the DRAM module manufacturing business were allotted the following number of shares at par in Boda International adjacent to their names respectively on the same date:

Names	Number of shares in Boda International (allotted on 10 April 2007)
Ms. Shen Wei	5,199,999
Zhang Yi	400,000
Lin Weiping	800,000
Han Jun	480,000
Cai Jian Lin	320,000
Li Wen Hong	800,000

Notes:

- (1) Mr. Cai Jian Lin held the above 320,000 shares for and on behalf of Ms. Shen Wei since the date of allotment. As Ms. Shen Wei expected that she would be away from Hong Kong for various periods, she considered that it would be beneficial and practicable for her to have trustee(s) who holds the shares on her behalf to attend any meetings or assist her in overseeing the operations of the Group, in particular during the preparation stage of setting up Bodatong Shenzhen. Mr. Cai Jian Lin, a good friend of Ms. Shen Wei was appointed as a trustee for such purpose.
- (2) The consideration of all the allotment of shares were settled by Ms. Shen Wei and it was her intention that other shareholders can contribute by way of putting their effort in managing the company.

For the establishment of Bodatong Shenzhen, a number of the above shareholders took up various posts in Bodatong Shenzhen. Mr. Lin Weiping was appointed as the supervisor on 4 July 2007, and Mr. Zhang Yi, Mr. Han Jun were appointed as directors of Bodatong Shenzhen on 4 July 2007.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

In early 2008, for easier management and to increase the shareholding in Boda International, Ms. Shen Wei acquired directly or indirectly further shares in Boda International from the then shareholders of Boda International through the following corporate actions. Also, certain number of shares were transferred to Ms. Lau Wing Sze in order to recognize her contribution to the Group and as an incentive as set out below:

- (a) By an instrument of transfer and bought and sold note dated 1 February 2008, Lin Weiping transferred his 800,000 shares to Ms. Shen Wei;
- (b) By an instrument of transfer and bought and sold note dated 1 February 2008, Li Wen Hong transferred 400,000 shares to Huang Chimin, which were transferred to Ms. Shen Wei by an instrument of transfer and bought and sold note dated 8 March 2010;
- (c) By an instrument of transfer and bought and sold note dated 1 February 2008, Li Wen Hong transferred 400,000 shares to Shen Bing (younger sister of Ms. Shen Wei) at the request of Ms. Shen Wei who considered that it would be beneficial and practicable for her to have trustee(s) who holds the shares on her behalf to attend any meetings or assist her in overseeing the operations of the Group. Shen Bing held the said 400,000 shares on trust for Ms. Shen Wei until 10 February 2011, when the said 400,000 shares were transferred to Ms. Shen Wei by an instrument of transfer and bought and sold note;
- (d) By an instrument of transfer and bought and sold note dated 1 February 2008, Ms. Shen Wei transferred 160,000 shares to Ms. Lau Wing Sze (one of our current executive Directors);

To further consolidate the control of Boda International, Ms. Shen Wei further acquired more shares from the then shareholders of Boda International gradually whereas Ms. Lau Wing Sze transferred her shares to the company she controls for the purpose of Reorganization as set out below:

- (e) By an instrument of transfer and bought and sold note dated 8 March 2010, Han Jun transferred 480,000 shares to Ms. Shen Wei;
- (f) By an instrument of transfer and bought and sold note dated 24 December 2010, Zhang Yi transferred 400,000 shares to Ms. Shen Wei;
- (g) By an instrument of transfer and bought and sold note dated 10 February 2011, Cai Jian Lin transferred the 320,000 shares which he has held on trust for Ms. Shen Wei since the date of allotment back to Ms. Shen Wei; and
- (h) By an instrument of transfer and bought and sold note dated 15 February 2011, Ms. Lau Wing Sze transferred 160,000 shares to Nice Rate.

Each of the above transfers were completed at a consideration of HK\$1 as they either did not involve in the transfer of beneficial ownership or the relevant transferees agreed to transfer the relevant shares at nominal consideration as they had not contributed to the capital of Boda International. All the above transfers were properly and legally completed.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

As advised by our Hong Kong Legal Advisers, the trust arrangements relating to the 320,000 shares in Boda International held by Cai Jian Lin and the 400,000 shares in Boda International held by Shen Bing for and on behalf of Shen Wei were governed by Hong Kong Law and were legal and valid. Save as disclosed above, the transferors or transferees of the abovementioned transfers are Independent Third Parties.

Prior to the commencement of the Reorganization for the Listing, Ms. Shen Wei thus held 7,840,000 shares in Boda International constituting 98% of the total issued share capital of Boda International, whereas Nice Rate (a company incorporated in the British Virgin Islands wholly-owned by Ms. Lau Wing Sze) held 160,000 shares in Boda International constituting 2% of the total issued share capital of Boda International.

Bodatong Shenzhen

Bodatong Shenzhen was formed on 11 July 2007 with a registered capital of RMB10,000,000. As at 6 September 2007, Bodatong Shenzhen has received an injection of capital from Boda International in the amount of US\$515,220 (which translated at RMB3,907,789.13). RMB3,000,000 was injected as registered capital and RMB907,789.13 was injected as capital reserve.

As at 6 November 2009, Boda International injected a further sum of HK\$8,000,000 (which translated as RMB7,048,000, of which RMB7,000,000 was injected as capital with RMB48,000 as reserve). Coupled with the prior instalment of capital injection in 2007, the total paid up capital of Bodatong Shenzhen is RMB10,000,000, constituting 100% of the registered capital. The principal business activity of Bodatong Shenzhen is the manufacturing of DRAM modules and certain other e-storage devices such as USB flash drives, solid-state drives, memory cards and multimedia players.

Boda International has remained the sole shareholder of Bodatong Shenzhen since its formation.

REORGANIZATION FOR LISTING

To prepare our Group for the Listing on GEM, Goldenmars HK, Boda International and Bodatong Shenzhen has implemented the Reorganization. Further details of the Reorganization are set out in the paragraph headed "Reorganization" in Appendix V to this prospectus.

INVESTMENT BY HIGH DEGREE

High Degree is a company incorporated in the BVI with limited liability and principally engaged in the business of investment holding. It was wholly owned by Ms. Lui Wan Ching, who was the sole director of High Degree.

Ms. Lui Wan Ching has been a friend of Mr. George Lu for more than ten years. In the past, Ms. Lui Wan Ching through her network introduced certain customers to us. During 16 February 2009 and 3 December 2010, there was a cooperation agreement between us and a company that Ms. Lui Wan Ching and her husband held as to a total of 25% ("**Company W**"), pursuant to which a

HISTORY, REORGANIZATION AND GROUP STRUCTURE

certain percentage of commission would be paid to Company W if the sales to a number of specified customers who manufactured computers on an OEM/ODM basis met certain threshold. Company W also purchased a small amount of DRAM modules from us prior to the Track Record Period. Save as disclosed above and prior to the investment herein stated, Ms. Lui Wan Ching is independent of and has no relationship with our Company or any of its connected persons.

Ms. Lui Wan Ching indicated to Mr. George Lu on various occasions as to her interest in investing in the business of our Group in the past few years. Taking into account the introduction of another investor to our Group and the reasons mentioned below, Mr. George Lu and Ms. Shen Wei, through their common controlled company Forever Star, entered into a sale and purchase agreement with High Degree on 21 February 2011 for the sale of 4,000 shares in Golden Profit to High Degree, constituting 40% of the issued share capital of Golden Profit as at the date thereof, at a consideration of HK\$36,000,000. This acquisition was completed on 22 March 2011. Ms. Lui Wan Ching was appointed as a director of Golden Profit on 21 July 2011.

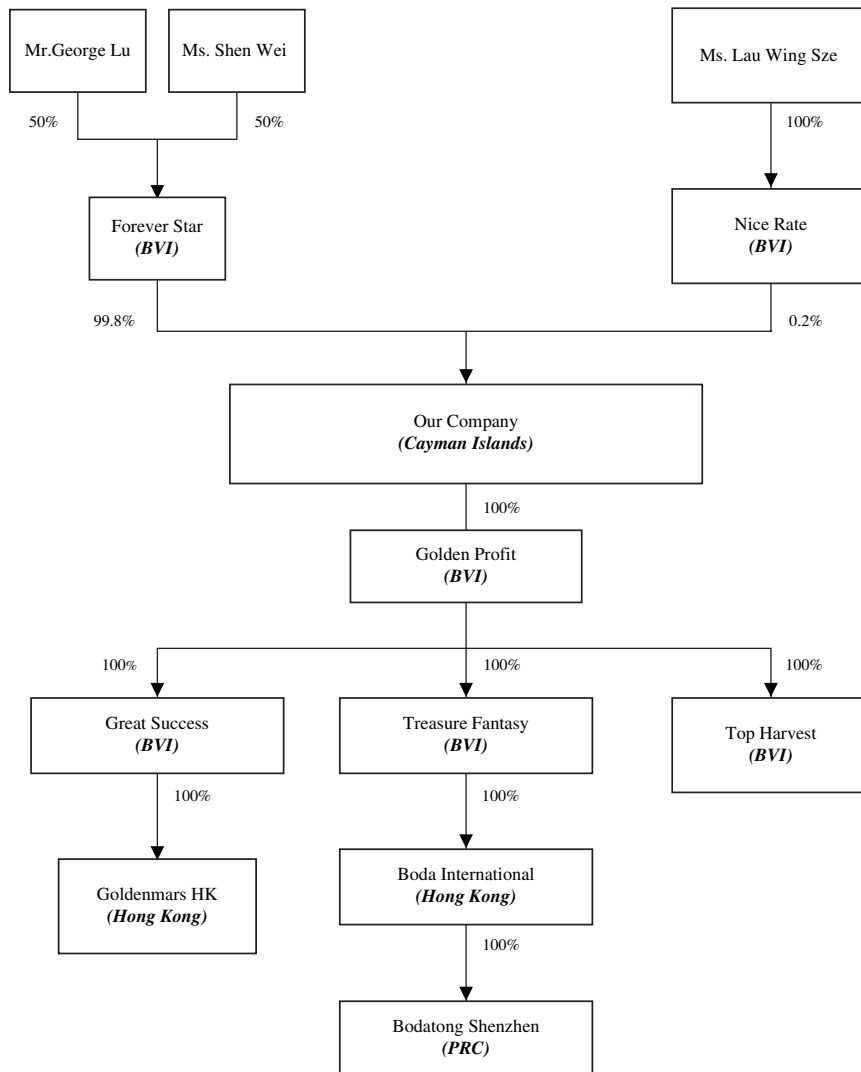
Pursuant to the sale and purchase agreement between High Degree and Forever Star, High Degree has the right to require Forever Star to purchase the shares of Golden Profit back and return to High Degree the consideration paid together with interests charged on the amount of consideration paid at 15% per annum if the Listing cannot be completed within 2 years of the date of the said sale and purchase agreement, i.e. by 21 February 2013.

To the Directors' best information and knowledge, due to the urgent internal financial needs of High Degree that are unrelated to the Reorganization or operations of our Group in any manner, High Degree decided to strategically re-allocate its investment in other fields. On 8 December 2011, High Degree disposed of the 4,000 shares in Golden Profit held by it back to Forever Star for a consideration of HK\$38,935,233. Ms. Lui Wan Ching resigned as a director of Golden Profit on the same date. Forever Star then held about 99.8% in Golden Profit after the above acquisition.

After the transfer of all the interests in Golden Profit held by Forever Star to our Company as part of the Reorganization, the steps of which are set out in the paragraph headed "Reorganization" in Appendix V to this prospectus, and upon immediately following completion of the Placing and the Capitalization Issue, it is expected that Forever Star will hold 74.85% interests in our Company. The ultimate Shareholders of Forever Star, Mr. George Lu and Ms. Shen Wei, as the ultimate Controlling Shareholders, will work to align the operations of the operating subsidiaries of our Company to contribute to the best interest of our Company.

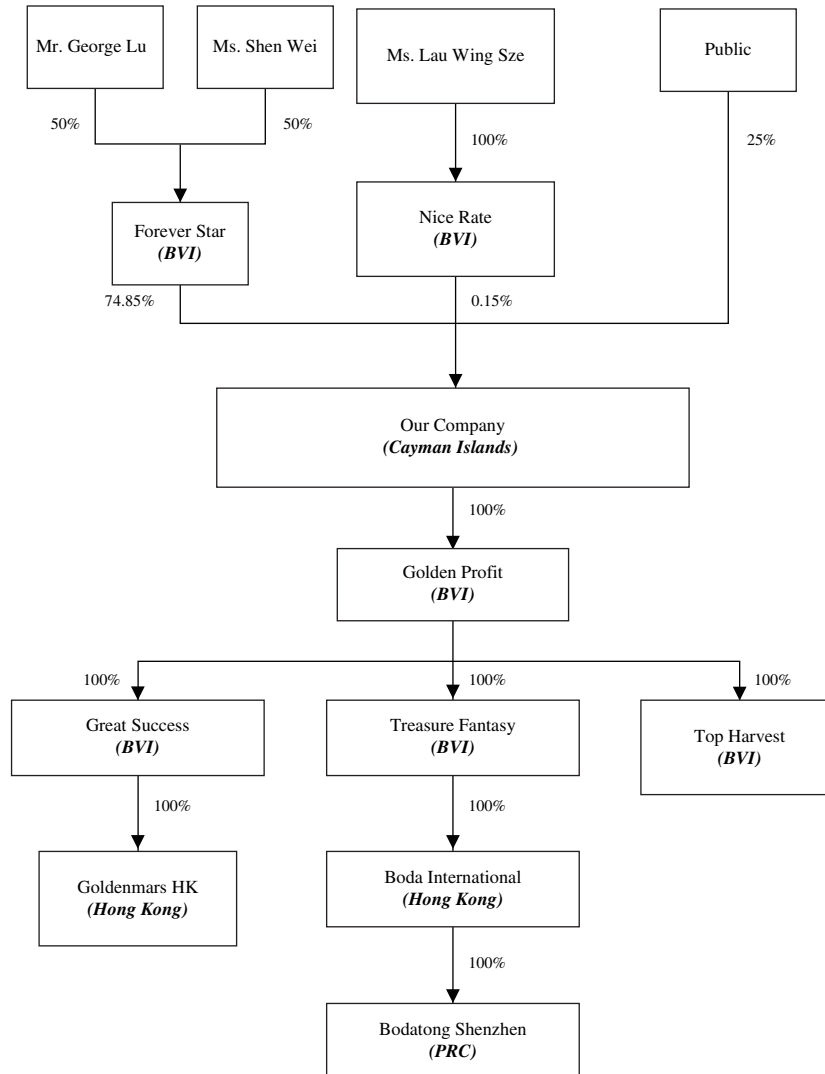
HISTORY, REORGANIZATION AND GROUP STRUCTURE

Corporate structure of our Group immediately before the Placing:



HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart illustrates the corporate structure of our Group immediately upon completion of the Placing (assuming the Offer Size Adjustment Option is not exercised):



BUSINESS

OVERVIEW

We are primarily engaged in manufacturing and sales of DRAM modules and trading of DRAM chips.

DRAM or DRAM chip, means dynamic random access memory (dynamic RAM), is a main type of memory used in desktop computers, laptops, workstation and server which allows computer's CPU to access instructions and data swiftly. DRAM module is a type of memory module composed of a series of DRAM chips mounted on a printed circuit board. They are one of the essential components for enhancing the performance of computers.

According to the iSuppli Report, we ranked the twenty-first and twentieth in terms of our sales revenue of DRAM modules among third-party DRAM module manufacturers ^{Note} worldwide in 2011 and 2012, respectively.

We started off as a trading company for sale and purchase of DRAM modules and DRAM chips in 2005. To expand the scale of operation and to enjoy the economies of scale, we established our production plant in Shenzhen, the PRC to manufacture DRAM modules in 2007. During the Track Record Period, our major revenue drivers include sale of self-manufactured products and trading of goods. In some circumstances, we also offer assembling services. Our key self-manufactured product is DRAM modules. To complement our product portfolio, we also manufacture and sell other e-storage devices such as USB flash drives and solid-state disks. For our trading business, we primarily sell DRAM chips, the most important component for DRAM modules. Upon request, we may also assist our customers to source and/or sell them DRAM modules bearing third parties' brands and other components. In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks (SSDs) in ultrabooks.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributed to a combination of our competitive strengths set out as follows:

A well-established third-party DRAM module manufacturer through brand building

According to the iSuppli Report, we ranked the twenty-first and twentieth in terms of our sales revenue of DRAM modules among third-party DRAM module manufacturers worldwide in 2011 and 2012, respectively.

Note: According to the iSuppli Report, there are only a handful of DRAM chip manufacturers and the top five players produced approximately 97.1% of all the DRAM chips shipped in 2012. Most DRAM module manufacturers source DRAM chips from DRAM chip manufacturers for production of DRAM modules and these DRAM module manufacturers who do not produce the DRAM chips are referred as "third-party DRAM module manufacturers" or "third-party manufacturers of DRAM modules". Third-party DRAM module manufacturers only represented approximately 33% of the market share in the whole DRAM module market. Our market share represented approximately 0.5% of the third-party DRAM module market in terms of DRAM module revenue by third-party DRAM module manufacturers worldwide in 2012, and represented approximately 0.2% of overall DRAM module market in terms of DRAM module revenue by all DRAM module manufacturers (including both third-party manufacturers and non third-party manufacturer of DRAM modules) worldwide in 2012.

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DRAM modules are one of the essential components for enhancing the performance of desktop computers, laptops and workstations. According to the iSuppli Report, the demand for DRAM modules in the PRC is increasing steadily mainly due to the increasing demand for personal computers in the PRC.

Foreseeing the importance of brand building to our success, we have been strategically focusing on promoting and developing our own brand products under mainly our GoldenMars brand during the Track Record Period. Through developing our own branded products and building our own brand name and corporate image, our Directors believe that our own brand products contributed to the development of our business and would enable us to retain existing customers and attract new customers, thereby increasing our sales and profitability.

Equipped with SMT production lines and strong production capability

All our SMT production lines can assemble and produce a variety of memory modules or other products with slight adjustments. Our Directors believe that DRAM module industry and flash memory product industry are fast-changing technology industries, therefore the availability of advanced, flexible, cost saving and effective SMT production lines are our key to success.

For the year ended 31 March 2011, we had a total of two SMT production lines in operation with an annual production capacity of approximately 1.5 million units of DRAM modules and approximately 0.4 million units of USB flash drives, respectively. In the first half year of 2011, we purchased additional SMT production lines and our annual production capacity reached approximately 2.9 million units of DRAM modules and approximately 0.9 million units of USB flash drives, respectively.

Our production volume of DRAM modules and USB flash drives for the year ended 31 March 2013 was approximately 1.5 million units and 0.6 million units, respectively.

Established long-term relationships with our major customers

Our major customers include (1) computer manufacturers which either manufacture computers on an OEM/ODM basis for others or in their own brands and use our DRAM modules as components, (2) trading companies of both DRAM modules and other products which will generally on-sell our products to computer and mobilephone manufacturers, distributors and/or third-party retailers in the “do-it-yourself” computer assembling market and (3) third party retailers who sell our products directly to consumers. During the Track Record Period, we supplied DRAM modules to a number of well established computer manufacturers. We have cultivated long-term relationship with a number of our major customers by providing them with quality products and after-sales services, including product warranty, technical support and adjusting our designed products to meet their needs. For the year ended 31 March 2013, eight of our top ten customers had been our customers for three years or more.

We believe that our understanding of our customers’ needs and our ability to deliver quality products at competitive costs have been the key leading to our success in keeping long term relationship with our customers.

BUSINESS

Our strong customer relationships have provided us with opportunities to openly interact and discuss with our customers and allow us to keep abreast of the latest technology and to acquire the knowledge needed to update the design of our products with market appeal for our further business development.

Stable sourcing of quality raw materials and components

The most important component of a DRAM module is DRAM chip. The quality and reliability of our DRAM modules highly depends on the quality and reliability of DRAM chips we sourced. According to iSuppli Report, when the DRAM chip market enters a supply shortage, it would be difficult for third party module manufacturers procure the type of DRAM chip they desire. Stable supply of quality DRAM chips would be one of the keys to success of our business. We maintain stable relationship with our suppliers who are distributors or agent of well established DRAM chip manufacturers. Our top five suppliers include a DRAM chip manufacturer which belongs to a listed company in the US and was one of the top five global DRAM suppliers in 2012 (in terms of market share based on shipment according to iSuppli Corporation), and a DRAM chip supplier whose shareholders include a listed company in Taiwan.

For the year ended 31 March 2013, four of our top five suppliers had been our suppliers for three years or more. Leveraging on the established long-term relationships with our key suppliers, we are able to source quality raw materials and components at reasonable prices and credit terms.

Experienced and dedicated management team

The majority of our executive Directors have extensive experience in DRAM module industry. Both Mr. George Lu and Ms. Shen Wei have more than ten years experience in management of DRAM module business. Ms. Lau Wing Sze, a dedicated member to the management of our Group, has been with us since the establishment of our headquarter in Hong Kong in 2005 and has been the general manager of GoldenMars HK since then. Their experience is fundamental to our Group in building a solid foundation for the subsequent development of our DRAM module business.

OUR BUSINESS STRATEGIES

We will strategically work on enhancing our market position in the third-party DRAM module market and increase our market share worldwide with focus in the PRC. We will continue to seek opportunities to realise sustainable growth in our business. We intend to implement the following strategies to capitalise on our strengths so as to enhance our business prospects and profitability:

To increase our market share in the third-party DRAM module industry in the PRC and worldwide

We plan to increase our market share in the third-party DRAM module industry by enhancing our sales force, increasing our market penetration in existing markets, expanding our customer base, exploring new markets and increasing recognition of our GoldenMars brand name in the PRC and

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worldwide. We believe in the importance of adopting effective marketing strategies as a means of increasing the market awareness and recognition of our GoldenMars brand so as to increase the market share and to secure sustainable growth in the long-run.

Building our own brand would enable us to retain existing customers and attract new customers and ultimately increase our sales and profitability in the long run. Our Directors believe that leveraging on our becoming a listed corporation in Hong Kong, our corporate image would be enhanced and potential customers would have more confidence in our products and services. The ultimate aim of our branding strategy is to first enhance our position in the third-party DRAM module industry and to advance public recognition of our branded products and progressively in other countries.

We plan to achieve the above, through, amongst others, the following avenues:

- expand our sales and marketing team to focus on the soliciting of new customers, in particular top tier computer manufacturers in the PRC and wholesalers who target at “do-it-yourself” computer assembling market in different parts of China;
- continue to participate in electronic and computer products exhibitions around the world to maintain market presence and to introduce our products and brands to potential customers;
- improve our Group’s website to include more information to introduce our Group, our brand and products; and
- enhance market exposure and visibility by placing advertisements in computer publications as well as websites which wholesalers and suppliers of DRAM products frequently visit such as DRAM Exchange websites in different countries with the aim of targeting wholesalers and distributors of DRAM products.

Strengthen our R&D and design capability

We believe that the success of our products depends on our ability to anticipate and respond to technology development trend and ability to produce reliable, compatible and quality products. We also seek to improve our product design and engineering for implementation of more cost effective production procedures.

We plan to apply more resources on R&D and design for the following with the aim of strengthening our R&D and design capability:

- conduct researches on the latest technologies with focus on developing and improving the production of new and existing products;
- purchasing software and equipments for R&D purpose; and
- employ more qualified hardware and software engineers as well as product designers.

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Continue to improve on our quality control and production capability

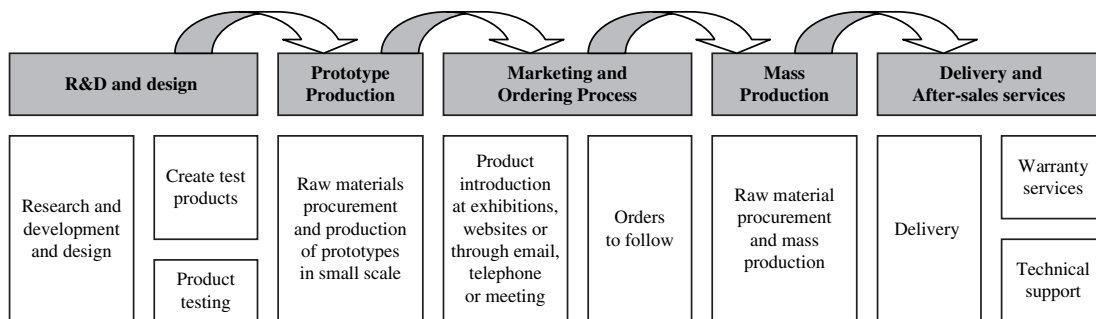
As DRAM modules are components of various computer products, quality, stability and compatibility of our products are key factors to retain customers and attract new customers.

In light of the importance of the quality control of our products, we will invest in purchasing of new testing machines and equipment as well as related software and hardware to further improve our quality control and production capability. We plan to apply part of the proceeds from the Placing for such purpose. For details, please refer to the sub-section headed “Future Plans and Use of Proceeds – Implementation Schedule”.

OUR BUSINESS MODELS

Manufacturing

The following diagram illustrates our current business model in manufacturing and sales of DRAM modules and other products:



R&D and design

We begin by developing and designing the products. Our R&D team works on hardware, software and mechanical design and engineering of our products. We produce sample products and conduct various tests on our sample products to ensure product reliability and compatibility.

Prototype Production

For products which are newly developed, we usually procure raw materials and produce a small amount of prototypes.

Most of our DRAM modules bear our GoldenMars brand. In certain circumstances, we also produce and supply products which do not bear our trademarks. For DRAM modules, customers normally order products with reference to the prototypes or readily available models that we already developed, and add on or require modification of the specification they desire.

For producing USB flash drives as souvenirs which bear our customers' trademarks, we generally produce products based on our customers' designs and specifications or we develop and design the products based on our customers' ideas and these ultimate products do not bear our trademarks.

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Usually, for USB flash drives that our readily available models are available, no prototypes need to be developed. Whereas for USB flash drives with specific designs, our R&D team will assess whether we would be able to produce the product based on the specification or prototypes provided by the customer from both technicality and design point of view as well as the availability of raw materials before formal orders are accepted. If after preliminary assessment, we conclude that we should be able to produce the USB flash drives according to customer's specification, we would normally produce a prototype for customer's approval at cost to be payable by customer. In such circumstances, formal order will only follow after customer approves the sample prototype we first create for our customers' approval before commencing mass production.

Marketing and Ordering Process

We will then showcase the prototypes in the electronic or computer related product exhibitions or on our websites or introduce them directly to our existing and potential customers in face-to-face meeting or over the telephone. Our customers will generally indicate orders to be placed and place orders with us through email communication, telephone discussion, face-to-face meetings or in the exhibitions. We accept orders of (1) readily available models; and (2) models which need adjustments to meet customers' specific needs.

Mass Production, Delivery and After-sales Services

We fulfill our orders by delivery of our existing stocks, or if we do not have sufficient stocks, we will proceed with mass production so as to fulfill our sale orders. We keep close dialogue with our clients, particularly our customers who are computer manufacturers, to understand their special requests and projection of future orders and consider whether our products should be adjusted to meet our customers' needs. In most cases, we are responsible for procuring the necessary raw materials and manufacturing the products. In some occasions, our customers may source all part of the components for the production on their own. We usually place orders for certain raw materials and components, in particular DRAM chips, with our suppliers prior to receipt of formal purchase orders issued by our customers.

After production, we will co-ordinate the delivery of products to our customers.

For certain products such as multimedia players and memory cards which we used to produce in minimal volume during the Track Record Period, we would only produce them after receiving orders from customers.

Our customers who are computer manufacturers will install our DRAM module products in their OEM or own branded products, whereas our customers who are wholesalers will generally on-sell our DRAM modules and other products to distributors and/or third-party retailers. We also sell our products to retailers who directly sell our products to consumers.

We provide after-sales services, including warranty and/or technical supports to computer manufacturers and/or end users of all our branded products. After-sales services to our customers ordering for non-branded products are negotiated on case-by-case basis.

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Trading

We started off as a trading company for sale and purchase of DRAM modules and DRAM chips in 2005. To expand the scale of operation and to enjoy the economy of scale, we established our production plant in Shenzhen, the PRC to manufacture DRAM modules in 2007. Our Directors believed that our engaging in the manufacturing business promoted our trading sales, in particular, sales of DRAM chips.

We generally order DRAM chips for manufacturing purpose. We, on the one hand, have day to day liaison with our customers to estimate the expected volume of orders to plan our manufacturing schedule. We, on the other hand, also have day to day liaison with our suppliers to ascertain the availability of various components, in particular DRAM chips. Engaging in manufacturing of DRAM modules allows us to have first hand market information of the demand and supply of DRAM chips.

As the market prices of DRAM chips fluctuate, and to take advantage of economy of scale from bulk purchasing of DRAM chips for manufacturing purpose, we generally would purchase extra DRAM chips when we expect the prices and demand of DRAM chips to increase.

Below are the typical steps for a sale of DRAM chips:

- | | |
|---|--|
| Step 1 – Verbal enquiry | <ul style="list-style-type: none">• Potential customer makes verbal enquiry as to the availability of DRAM chips including specification, volume and expected delivery time. |
| Step 2 – Stock checking | <ul style="list-style-type: none">• Our trading team will conduct stock checking to ascertain if we have any or sufficient stock enquired. While doing the checking, we will take into account the stock reserved for manufacturing orders. |
| Step 3 – Formal quotation and purchase orders | <ul style="list-style-type: none">• If we have sufficient stock, we will revert to our customer verbally. Purchase order from our customer would follow or if our customer does not issue a purchase order, a pro-forma invoice will be issued to our customer.
• If we do not have sufficient stock, we will check with our suppliers to ascertain the availability of stock, prices and the expected delivery date. Upon receiving formal or informal response from our suppliers, we will revert to our customers verbally. If our supplier has sufficient stock, we, base on the assessment of the market condition of the DRAM chips by our trading team, may order the DRAM chips before or after the purchase order was received from our customers. Assuming that our suppliers have sufficient stock, the lead time between receiving orders from customers and placing orders to suppliers generally takes approximately three business days. |

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- Step 4 – Delivery or wait for pick up
- Goods are delivered to the address designated by our customer or kept at our storage awaiting pick up by our customers.

Depending on whether we have sufficient stock enquired by our customer and/or whether our suppliers have sufficient stock as enquired, the lead time for process Step 1 to Step 3 above generally takes approximately eight to ten business days.

In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks in ultrabooks.

According to iSuppli Corporation, global NAND flash revenue is expected to increase from approximately US\$20.2 billion in 2012 to approximately US\$28.1 billion by 2017 driven by the expected increase in NAND flash consumption for smartphones, tablets and solid state disk in ultrabooks. Some of our existing customers started to source NAND flash from us in December 2012 in bulk.

Similar to DRAM chips, engaging in manufacturing of USB flash drives allows us to have first hand market information of the demand and supply of NAND flash. Given large producers of DRAM chips also produce NAND flash, we have been able to source NAND flash from our existing suppliers. Envisaging the future increase in demand in NAND flash and to broaden our revenue base, we commenced trading in NAND flash in bulk.

Also similar to DRAM chips, given the market prices of NAND flash fluctuate, and to take advantage of economy of scale from bulk purchasing of NAND flash for manufacturing purpose, we would purchase extra NAND flash when we expect the prices and demand of NAND flash to increase. The typical steps for sale of NAND flash are similar to those of sale of DRAM chips set out above.

PRODUCTS AND BRANDS

Product types

Our key self-manufactured product is DRAM modules. To complement our product portfolio, we also manufacture and sell other e-storage devices such as USB flash drives. Certain products such as multimedia players would generally only be produced upon receipt of orders from our customers.

For our trading business, we primarily sell DRAM chips, the most important component for DRAM modules. Upon request, we may also assist our customers to source and/or sell them DRAM modules bearing third parties' brands and other components. In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks (SSDs) in ultrabooks.

Below are our principal self-manufactured products:-

1. DRAM Module

DRAM module is a type of memory module composed of a series of DRAM chips mounted on a printed circuit board. DRAM module, which allows computer's CPU to access instructions and data stored in memory swiftly, is one of the essential components for enhancing the performance of desktop computers, laptop and workstations.

Our DRAM modules can be broadly categorized according to three form factors, namely Double Data Rate 1 ("DDR1"), Double Data Rate 2 ("DDR2") and Double Data Rate 3 ("DDR3"). The main difference distinguishing the different DDRs lies in their transfer rates. The specifications of our DRAM modules comply with JEDEC, an independent semiconductor engineering trade organization and standardization body which is responsible for setting the standards for data rates of Double Data Rate Synchronous DRAM ("DDR SDRAM"). Compliance with the JEDEC standard in the DRAM Module industry is indicative of the compatibility of a DDR SDRAM. We offer DDR1, DDR2 and DDR3 with transfer frequency ranging from 266 mhz to 1,600 mhz and with capacity ranging from 512MB to 8GB.

Our DRAM modules can also be categorized into several series depending on their application and functions. Below are some sample series of DRAM modules we offer, namely Desktop Memory Series and Notebook Memory Series, all of which belong to DDR3:

A. Desktop Memory Series



This series is also known as the unbuffered Dual In-line Memory Module ("UDIMM") for desktop computers.

B. Notebook Memory Series



This series is also known as Small Outline Dual In-line Memory Module ("SO DIMM"). This memory series is designed for compatibility with a wide range of portable computers, notebooks or laptops.

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2. *USB Flash Drive*

A USB flash drive consists of a flash memory data storage device integrated with a USB (Universal Serial Bus) interface. USB flash drives are typically removable and rewritable.

Our USB flash drive is categorized into several series, each named and categorized based on the features of the products.

Our Branded Products

We initially marketed and sold our products under both the GeeDom brand and the GoldenMars brand. We gradually reduced use of the GeeDom brand over the years with the aim of concentrating our resources to develop the GoldenMars brand as we would like to build up the brand which associates with our corporate name. The GoldenMars brand is a valuable brand to us since it is also our name. Our Directors believe that the extensive promotion and marketing of the GoldenMars brand will also assist in boosting our reputation as a whole. Our branded product sales attributed to a significant proportion of our revenue during the Track Record Period. For each of the two years ended 31 March 2013, our branded product sales were approximately HK\$170.2 million and HK\$74.9 million, respectively.

Our Non-branded Products

We also manufacture and offer non-branded products on OEM/ODM basis. Our non-branded products bear our customer's corporate logo or trademarks or does not bear any trademark or logo. For each of the two years ended 31 March 2013, the revenue derived from the sale of our non-branded products were approximately HK\$127.2 million and HK\$111.2 million, respectively.

Most of our non-branded products are manufactured based on our clients' designs and specifications. We usually enter into a non-exclusive, non-transferable and royalty free licence agreement with our clients, who will authorize our Group to utilise their proprietary designs, drawings, specifications and software solely for use in the production of their products. Sometimes, we also design and produce products for our customers ordering non-branded products according to our own specifications.

We will still continue to engage in non-branded manufacturing business as we believe that these experiences do offer valuable opportunities to diversify our customer base. Further, experiences in the non-branded businesses also allow us to keep abreast of the latest technology developments and consumer needs, and therefore provide us with a competitive advantage in our design capabilities.

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SALES AND MARKETING

We are equipped with a sales and marketing force of approximately seven employees who are responsible for the sales and marketing activities. We also formed a trading team with three employees who are responsible for sourcing of DRAM chips and NAND flash.

Sales

For our manufacturing business, we showcase our products in the electronic and computer products exhibitions or on the websites or introduce them directly to our existing customers in face-to-face meeting or over the telephone. Our customers will generally place orders with us in the exhibitions, through email communication or telephone discussion or face-to-face meetings. We keep close dialogue with our clients, particularly our customers who are computer manufacturers, to understand their special request and consider whether our designed products need any adjustment to meet our customers' needs.

For our trading business, our Directors believed that our engaging in the manufacturing business promoted our trading sales, in particular, sales of DRAM chips. Engaging in manufacturing of DRAM modules allows us to have first hand market information of the demand and supply of DRAM chips. As the market prices of DRAM chips fluctuate, and to take advantage of economy of scale from bulk purchasing of DRAM chips for manufacturing purpose, we generally would purchase extra DRAM chips when we expect the prices and demand of DRAM chips to increase. In some circumstances, we may have extra stock for trading from manufacturing business. Upon request, we can also assist our customers to source and/or sell them DRAM modules bearing third parties' brands and other components. In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks in ultrabooks.

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Below is a breakdown by our revenue drivers during the Track Record Period:

	For the year ended 31 March			
	2012	2013	2012	2013
	Revenue	Percentage	Revenue	Percentage
	(HK\$'000)	of total	(HK\$'000)	of total
		revenue		revenue
		(%)		(%)
Self-manufactured products				
<i>Branded products</i>				
DRAM modules	164,670	35.7	71,933	14.0
USB flash drives and others (Note 1)	<u>5,575</u>	<u>1.2</u>	<u>2,990</u>	<u>0.6</u>
<i>Sub-total:</i>	170,245	36.9	74,923	14.6
<i>Non-branded products</i>				
DRAM modules	99,142	21.4	89,420	17.5
USB flash drives	<u>28,059</u>	<u>6.1</u>	<u>21,750</u>	<u>4.2</u>
<i>Sub-total:</i>	<u>127,201</u>	<u>27.5</u>	<u>111,170</u>	<u>21.7</u>
Sub-total:	297,446	64.4	186,093	36.3
Trading goods				
DRAM chips	156,598	33.9	223,288	43.6
DRAM modules	2,285	0.5	11,993	2.3
NAND flash	–	–	87,744	17.1
Others (Note 2)	<u>1,159</u>	<u>0.3</u>	<u>815</u>	<u>0.3</u>
Sub-total:	160,042	34.7	323,840	63.3
Assembling services	<u>4,227</u>	<u>0.9</u>	<u>1,866</u>	<u>0.4</u>
Total:	<u><u>461,715</u></u>	<u><u>100.0</u></u>	<u><u>511,799</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Other self-manufactured products include solid-state drives and multimedia players.
- (2) Other trading goods include components of our products (other than DRAM chips and NAND flash).

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During the Track Record Period, our major revenue drivers include sale of self-manufactured products and trading of goods. In some circumstances, we also offer assembling services. Among our manufacturing business, our business can be sub-divided between (1) branded product sales and (2) non-branded product sales. We commenced our branded product business in 2007. Foreseeing the importance of own brand building to the success of our business, we have been focusing on promoting and developing products bearing our trademarks over the past few years.

Prior to September 2011, in order to establish and broaden our customer base, our management may accept production orders which broke even or sometimes at slight loss. Since September 2011, our management tended to select more profitable orders and avoid accepting non-profitable production orders so as to increase the profit margin of our manufacturing business, and unless approved by both the Chairman and the CEO, no order will be accepted at a loss. Our manufacturing orders hence decreased. For the five months ended 31 August 2011, approximately 19.1% of the production orders were at loss in terms of revenue. While for the five months ended 31 August 2012, approximately 12.6% of the production orders were at loss in terms of revenue.

According to iSuppli Corporation, the Asian DRAM module market decreased by approximately 5.5% to approximately 367.9 million units and the China DRAM module market declined by 3% to approximately 165.5 million units in terms of shipment volume in 2012. This was mainly due to the weak demand in personal computer market in Asia and China as a result of gloomy economy and rising demand in iPad or other android based tablets in 2012 which mainly use soldered down DRAM chips instead of DRAM modules.

The revenue attributable to our manufacturing business decreased from approximately HK\$297.4 million which accounted for 64.4% of our total revenue for the year ended 31 March 2012 to approximately HK\$186.1 million which accounted for approximately 36.3% of our total revenue for the year ended 31 March 2013. To the best information and knowledge of our Directors, there were a number of factors resulting in such a decrease as set out below.

The decrease in revenue of our manufacturing business was primarily due to the decrease in the revenue attributable to the branded products from approximately HK\$170.2 million for the year ended 31 March 2012 to approximately HK\$74.9 million for the year ended 31 March 2013. Such decrease was mainly due to the decrease in purchase orders from two particular customers (one from PRC and the other from the US) for the year ended 31 March 2013 which accustomed to order branded products from us. Sales attributable to the relevant PRC customer decreased from approximately HK\$54.9 million for the year ended 31 March 2012 to approximately HK\$23.1 million for the year ended 31 March 2013. The relevant PRC customer is a well established computer manufacturer in the PRC which is principally engaged in R&D, sales and manufacturing of computer products. To the best information and knowledge of the Directors, the reason for such decrease was mainly due to decrease in sales orders received by the relevant PRC customer. For the three months ended 30 June 2013, sales to the PRC customer amounted to approximately HK\$11.1 million, and it is expected that they would keep on placing orders from time to time. Sales attributable to the relevant US customer decreased from approximately HK\$52.7 million for the year ended 31 March 2012 to approximately HK\$2.5 million for the year ended 31 March 2013. The relevant US customer is a listed company whose

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shares are listed on the New York Stock Exchange, and a large distributor of electronic components and computer products. To the best information and knowledge of the Directors, the reason for such decrease was mainly due to the weak demand of DRAM modules in the US market in 2012 resulting in the decrease in its sales, and that we have decreased accepting their orders because the relevant orders did not meet our expected profit margin. For the three months ended 30 June 2013, there were verbal enquires from the US customer for certain manufacturing orders, but no sales were concluded as the relevant orders did not meet our expected profit margin. In the event the gross profit margin for the orders from the US customers continues to fail to meet our expected profit margin in the future, we are likely not to accept orders from them.

To the best information and knowledge of the Directors, with a combination of the above factors, our Group's manufacturing orders decreased for the year ended 31 March 2013, whereas the particular decrease in branded products was due to the market impact brought to the two particular customers who accustomed to order branded products from us.

Despite the decrease in revenue attributable to our manufacturing business, we recognize and consider the importance of keeping its manufacturing business, and still strive to focus on both manufacturing and trading segments based on the reasons set out below.

Firstly, manufacturing business has been a profitable business for us and there are advantages for keeping the manufacturing business. The gross profit attributable to our manufacturing business amounted to approximately HK\$17.0 million for the year ended 31 March 2013, which accounted for 34.1% of the overall gross profit of our Group. The gross profit margins of our Group during Track Record Period had been relatively stable. Our manufacturing business helps us to maintain broader customer base on the one hand and also maintain good relationship with the suppliers on the other hand as the manufacturing business together with the trading business lead to larger order volume from the suppliers.

Secondly, DRAM module market is expected to increase moderately in the Asia and PRC market (the market that we focus). As mainly driving by increasing demand of laptop personal computers, iSuppli Corporation expects that the Asian DRAM module market will grow to approximately 383.5 million units of shipments in 2013. Asian PC market is expected to improve in 2013 as compared to 2012 due to (i) the economies of developed countries like Japan is expected to improve; (ii) the personal computer market in developing countries such as China and India are also expected to improve in 2013 as personal computer OEMs will aggressively reduce the selling price of traditional notebook with Windows 7 OS to stimulate the market demand, particularly in Asia; and (iii) the increased penetration rate of new operation system (i.e. Windows 8) is expected to stimulate the market demand of personal computers, as well as the DRAM module market in 2013. The Asian DRAM module market is expected to grow by approximately 4.2% from approximately 367.9 million units in 2012 to approximately 383.5 million units of shipments in 2013. The PRC DRAM module market is expected to outperform the world market and Asian market in coming years, as supported by the expected increase in demand for domestic personal computer market in the PRC. The domestic personal computer market in the PRC was approximately 74.1 million units in 2012 and is expected to grow to approximately 75.7 million units in 2013 and the DRAM module market of the PRC will grow to approximately 177.8 million units in 2013, representing approximately 7.4% growth over 2012.

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We will strive to maintain the revenue and profit from manufacturing business at a stable level. The proportion of revenue and profit generated from our manufacturing business and the trading business would however ultimately driven by the market demand, and the dominating segment may vacillate among the two from time to time.

Our Directors believe that our Group would have the capability to react to the market change based on the following. Since the purchase of two additional SMT production lines in the first half year of 2011, the annual production capacity of our Group increased to approximately 2.9 million units of DRAM modules and 0.9 million units of USB flash drives. The combined utilization rate for the year ended 31 March 2013 was approximately 53.1%, and there should be sufficient production capacity to cater for growth in demand for manufacturing orders by approximately 100% in terms of volume. Our actual production volume for DRAM modules and USB flash drives reached approximately 3 million units and 0.9 million units evidences our production capability. Given trading business does not require intensive investment in production plants or R&D, our Directors believe that by increasing sales persons would be sufficient for catering increase in demand of trading products. We plan to recruit eight additional sales persons to take care of both trading and manufacturing orders in the coming two and a half years.

Geographical analysis

The table below sets out a breakdown of our revenue by reference to the geographical locations of our customers for the years indicated:

	For the year ended 31 March			
	2012		2013	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
PRC and Hong Kong	301,113	65.2	417,845	81.6
Taiwan	84,031	18.2	50,007	9.8
Americas	55,160	11.9	13,912	2.7
Europe	12,990	2.8	14,927	2.9
Other countries <i>(Note)</i>	8,421	1.9	15,108	3.0
Total:	<u>461,715</u>	<u>100.0</u>	<u>511,799</u>	<u>100.0</u>

Note: Other countries include Africa, Australia, Thailand and some other Asian countries.

We have customers situating across the PRC, Hong Kong, Taiwan, Europe and Americas while most of the Group's sales were concluded in Hong Kong during the Track Record Period. Throughout the Track Record Period, the PRC and Hong Kong are our major markets and we derived approximately 65.2% and 81.6% of our total revenue from the customers located in the PRC and Hong Kong for each of the two years ended 31 March 2013. Foreseeing the growing in demand on personal computers in the PRC, we will maintain our major focus on further developing the PRC market.

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Our customers

Our top five customers collectively accounted for approximately 61.2% and 59.7%, of our total revenue for each of the two years ended 31 March 2013, respectively. Our largest customer for each of the same periods accounted for approximately 15.9% and 19.9%, of our total revenue, respectively.

Our major customers include (1) computer manufacturers which uses our products as components, and either manufacture computers on an OEM/ODM basis for others or in their own brands, (2) trading companies of DRAM modules which will generally on-sell our products and goods to computer manufacturers, distributors and/or third-party retailers and (3) retailers who sell our products directly to consumers in the “do-it-yourself” computer assembling market. We supply DRAM modules to a number of well established computer manufacturers. We have cultivated long-term relationship with a number of our major customers by providing them with (i) quality self-manufactured products and after-sales services, including product warranty, technical supports and adjusting our designed products to meet their needs and (ii) wide range of specification of DRAM chips. For the year ended 31 March 2013, eight of our top ten customers had been our customers for three years or more.

Overlapping of customers and suppliers

According to iSuppli Corporation, there are only a handful DRAM chip manufacturers globally and the top five players produced 97.1% of all the DRAM chips shipped in 2012. Most DRAM module manufacturers source DRAM chips in the market through various channels (including among others, through companies which trade DRAM chips) for DRAM chips produced by limited number of manufacturers. Also, the prices of DRAM chips fluctuate. To the best information and knowledge of our Directors, players in the third party DRAM module industry keep stock of DRAM chips and DRAM modules with different specification from time to time. One player could have stock with particular specification which is needed by others.

We source our DRAM chips through various channels, including, but not limited to, the agents of DRAM chips manufacturers, distributors and sometimes other sellers of DRAM chips or DRAM modules who are also our customers. On the other hand, some of our suppliers may also purchase goods from us if we have stock with specification that they are in need of. Seven out of top ten customers for the year ended 31 March 2013 were also our suppliers, while six out of top ten suppliers for the year ended 31 March 2013 were also our customers.

Sales to the top ten customers who were also suppliers attributed to approximately 42.4% and 61.0% of the total revenue for each of the two years ended 31 March 2013, respectively. The amount of purchases from the top ten customers who were also suppliers attributed to approximately 18.5% and 14.4% of the total purchases for each of the two years ended 31 March 2013, respectively. Sales to the top ten suppliers who were also customers attributed to approximately 37.7% and 44.0% of the total revenue for each of the two years ended 31 March 2013, respectively. The amount of purchases from the top ten suppliers who were also customers attributed to approximately 18.5% and 30.6% of the total purchases for each of the two years ended 31 March 2013, respectively. Goods sold to these customers include, among others, DRAM modules, DRAM chips and USB flash drives, the prices of which were determined mainly based on the costs, the market prices of similar products, the market demand and supply of the products and the expected profit margin determined by our management team. Goods purchased from these customers mainly include DRAM chips and small amount of DRAM modules, the prices of which were determined mainly based on the market price of the products. All such transactions were conducted on normal commercial terms.

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In some circumstances, the products sold to and purchased from the overlapping customers may fall in the same category (in terms of form factor, capacity and brand), in particular for those products with specifications which were frequently ordered in a particular year. We set out below further details of the background leading to such circumstances.

Depending on the development of the technology of memory related products, there is usually a dominant form factor for DRAM modules or other memory products at different point of time. According to the iSuppli Corporation, DDR3 was the dominant form factor and technology from 2010 to 2012 and accounted for more than 65%, 90.1% and 92.0% of the DRAM modules shipped in 2010, 2011 and 2012, respectively. Further, there is also dominant density or capacity of DRAM modules at different point of time. In PRC DRAM module market, 1GB DRAM modules accounted for more than 30% in 2009 and dropped to approximately 7.3% in 2012, which is expected to further reduce to approximately 3.9% in 2013; while 2GB DRAM modules dominated the market and accounted for more than 50% in 2009 to 2012. On the other hand, 4GB DRAM module market is expected to ramp up soon from 2012 and will dominate the market in 2013 to 2017. Also according to iSuppli Corporation, as there are only a handful number of DRAM chip manufacturers, it is not uncommon that the market players in the secondary market of DRAM chips may purchase and sell DRAM chips in the same category (same brand, same form factor and same capacity) among the market players. Hence, we sell goods with certain specification to a customer who may subsequently supply goods with same specification to us if they have stock with specification that we are in need of or vice versa. Also, we may source goods with certain specification from a supplier who may subsequently order goods with same specification from us if we have stock with specification that they are in need of or vice versa.

Our Group mainly traded DDR3 DRAM chips with capacities of 128Mbx8 and 256Mbx8, 512Mbx8, which in aggregate accounted for approximately 90.5% and 95.8% of the revenue derived from trading of DRAM chips of our Group for each of the two years ended 31 March 2013, respectively.

By taking the lower of (i) the sales to the overlapping customers of products with the specific form factor, capacity and brand and (ii) the purchases from the overlapping customer of such products, which occurred during any time of the Track Record Period, the aggregate relevant transactions amounted to approximately HK\$70.5 million for the entire Track Record Period, which accounted for approximately 7.2% of our total sales for the Track Record Period. During the Track Record Period, the products sold and purchased in the same category with the overlapping customers mainly consisted of DRAM chips DDR3 256Mbx8, DDR3 128Mbx8, DDR3 512Mbx8, DRAM modules DDR3 2GB and DDR3 4GB and the average timing of sales and purchases of same category products with the overlapping customers was approximately 98.6 days. To the best information and knowledge of our Directors, there was no sale and purchase of same batch of goods from the same customer during the Track Record Period. We may continue to sell and purchase products in the same category with the overlapping customers in the future depending on our needs and market demand.

Save as disclosed in the sub-section headed “Business – Sales and Marketing – Our customers – Relationship with particular customers” in this prospectus, to the best information and knowledge of the Directors, none of the Group’s customers and suppliers have any past or present relationship with our Group, shareholders, directors, senior management, employees or their respective associates. None of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our Group’s customers and suppliers during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Introducer agreement

In order to expand our markets in various jurisdictions, we entered into the following legally binding introducer agreement.

Introducer Agreement	
Date of agreement:	20 February 2012
Counter party and its relationship with the Group, if any:	Agent I (an Independent Third Party)
Term or duration of agreement:	No definitive term provided
Main provisions:	A certain percentage of commission would be paid to the agent for the sales attributable to customers in North America and South America introduced by Agent I
How to determine the incentive fees or commission:	The commission shall be payable weekly calculated based on the net payment received by us from the customers introduced by Agent I.
Sales target:	No sales target is set
Termination clauses:	The Introducer Agreement may be terminated at any time by either party giving notice in writing to the other or upon our ceasing to conduct our business.
Remarks:	<ol style="list-style-type: none">1. The total sales attributable to the customers referred by Agent I were approximately HK\$52.7 million and HK\$2.5 million for each of the two years ended 31 March 2013, respectively, which represented approximately 11.4% and 0.5% of the total sales for the corresponding periods.2. The incentive percentage under the Introducer Agreement is 1% of the net payment received by us from the customers introduced by Agent I. The total incentive fees paid under the Introducer Agreement was approximately HK\$99,000 and HK\$25,000 for each of the two years ended 31 March 2013, respectively.3. There is no clauses relating to price adjustment provision, minimum purchase amount or goods return policy.

BUSINESS

Although there was substantial decrease in sales attributable to customers referred by Agent I, we may still enter into similar agreements with potential agents as our management considers as appropriate. We would consider different factors such as standing and level of influence in the local memory product industry, the retail and brand management experience, financial resources and credit-worthiness of the potential agents for selecting our agents.

Save as disclosed above and the agreements mentioned in the sub-section headed “Sales and Marketing – Our customers – Certain settlement arrangements through third party payors” in this section of this prospectus, we have not entered into any long-term agreement with our customers.

Relationship with particular customers

Company F started to become our customer in September 2009. It is wholly-owned and managed by an individual (“**Individual L**”). We maintained a good business relationship with Individual L who kept on doing business with us through Company F (up to July 2011) and through Company G (another company wholly-owned by Individual L) thereafter. Company F/Company G remained as one of our top three customers as well as a supplier during the Track Record Period. Sales to Company F/Company G attributed to approximately 12.9% and 11.7% of our total sales for each of the two years ended 31 March 2013, respectively. Purchases from Company F/Company G attributed to approximately 4.7% and 3.5% of our total purchases for each of the two years ended 31 March 2013, respectively. The younger brother of Individual L was employed as a consultant of Goldenmars HK at a monthly salary of HK\$20,000 (without any bonus package) to provide marketing advice for PRC market during November 2009 to April 2011.

Marketing

Sales leads are usually generated through our marketing activities, as well as referrals from our suppliers and customers. For our trading business, we generally do not actively promote the sales of DRAM chips and often obtain orders through referrals from other customers.

BUSINESS

We participate in exhibitions around the world from time to time. Below are some examples of exhibitions that we participated:

2007



Computex Taipei
(Taiwan)

2008



International CES
(Consumer Electronics
Show) Las Vegas
(USA)

2008



CeBIT (Centre of Office and
Information Technology)
Hannover (Germany)

2009



Hong Kong Electronic
Fair Spring
(Hong Kong)

2010



Computex Taipei
(Taiwan)

2011



Computex Taipei
(Taiwan)

2011



IFA Berlin
(Germany)

2012



Hong Kong Electronic Fair Autumn
(Hong Kong)

2012



IFA Berlin
(Germany)

2013



Hong Kong Electronic Fair Spring
(Hong Kong)

BUSINESS

In order to enhance market awareness of our products and to increase their exposure to new customers, we place advertisements in websites and publications relating to DRAM modules, NAND flash products, electronics and/or computer products. In addition, we also established our own internet website with an aim to provide customers and potential customers with information about our business and products as well as to promote products and to communicate with customers and potential customers.

Pricing

We determine the prices of our self-manufactured products based on a number of factors, which mainly include the costs, the market prices of similar products, the market demand and supply of the products and the expected profit margin determined by our management team. Factors taken into account for the pricing would include, among others, the geographical location of the customers, the relationship with the customers and the business that the customers are engaged in. For example, prices offered to customers who are retailers would normally be higher than those customers who manufacture computers on an OEM/ODM basis for others or in their own brands. Such prices are determined with reference to the market research conducted by our sales team who keeps close contact with various retailers to ascertain the market prices of similar products from time to time.

We monitor the prices of DRAM chips and NAND flash on the DRAM Exchange website everyday and collect historical price charts and analysis, and set weekly customer price list and send the relevant price list to our customers for their reference before receipt of request for quotation from customers. We also compile weekly price at cost (or lowest acceptable price) list for internal reference. To this end, the expected profit margin shall be taken into account and except those items which are at promotion, no prices shall be set at loss and no order at prices below the price at cost shall be accepted unless with the approval of both the Chairman and the CEO.

If the specification of products is not covered in the weekly price list, we set our price after the receipt of the request for quotation after taking into account similar factors stated above. Upon our customers placing binding orders, the prices agreed cannot be adjusted as no price-adjusting terms are contained in the sales orders.

Prior to September 2011, in order to establish and broaden our Group's customer base, our management may accept production orders which broke even or sometimes at slight loss. Since September 2011, our management tended to select more profitable orders and avoid accepting non-profitable production orders so as to increase the profit margin of our manufacturing business, and unless approved by both the Chairman and the CEO, no order will be accepted at a loss.

For trading products, we determine the prices mainly with reference to the market price and the expected margin of the products. No trading order at a loss will be accepted unless approved by both the Chairman and the CEO.

Envisaging the future increase in demand in NAND flash and our ability to source the products, we commenced trading in NAND flash in bulk in December 2012 to broaden our revenue base. We tended to accept an order even if it was non-profitable for the first few months in order to establish our customer base for the product and planned to increase our profit margin gradually from March 2013 onwards to the extent acceptable by our customers and as our management considers appropriate.

BUSINESS

We may offer products at discount if the products become less advanced in technology over time. Further, if the prices of DRAM chips or NAND flash is expected to be in a decreasing trend for the coming half year, sales persons should be alerted to promote the selling of those stock which may become obsolete at discount if appropriate.

For further pricing policies to control and manage the risk of fluctuation in the prices of DRAM chips and DRAM modules, please refer to the sub-section headed “Business – Internal Control” in this prospectus.

Credit policy and cash management

For new customers (which we have less than three months business relationship), we generally require payment upon delivery and do not provide any credit period. For existing customers, we, upon internal approval, generally grant credit periods of up to one month. We grant credit period after taking into account a number of factors, including among others, the credit history and historical sales performance of our customers. We may also extend a credit period based on individual circumstances and upon the approval of a director or general manager.

It is our policy to review overdue balances and our receivable balances on an ongoing basis and appropriate assessment is made by our management team to determine whether or not provision for impairment of trade receivables should be made.

We did not experience any material payment defaults from our customers during the Track Record Period. As at 31 March 2012 and 2013, the total amount of the provision for doubtful debts was approximately HK\$346,000, respectively.

Our management monitor the cash balances of our subsidiaries in Hong Kong and the PRC on daily basis. To better manage our financial position and liquidity, we adopted policies for preparing and reviewing monthly cash report which sets out cash-in-bank daily closing balances for all our bank accounts, amounts of accounts receivables by aging, amounts of accounts payables by aging, bank borrowings, limits of available facilities, outstanding and available amounts by nature. Monthly cash flow forecast reports are also prepared to estimate the available fund balances. We manage our purchases of raw materials, granting of credit period, control and manage the accounts receivables with reference to our cash balances and the monthly reports.

As at 31 March 2012 and 2013, we recorded net current assets of approximately HK\$30.8 million and approximately HK\$51.1 million, respectively, and cash and cash equivalents of approximately HK\$78.5 million and approximately HK\$103.4 million, respectively. We have ensured that we have sufficient unutilised banking facilities to cover any shortfall in our working capital. As at 31 March 2013, the unutilised banking facilities of our Group amounted to approximately HK\$29.2 million. Our Directors believe that, through our unutilised banking facilities, internal resources and/or cash flow from operations, we will have sufficient financial resources to satisfy our liabilities as and when they fall due or as and when they are demanded.

BUSINESS

Certain settlement arrangements through third party payors

Certain customers (our debtors) (“**Relevant Customers**”) settled our payments through third parties (“**Third Party Payors**”) via banks (“**Third Party Payments**”). During the Track Record Period, there were five Relevant Customers who settled certain of their payables to us, four of which were entities set up in the PRC and one of which is a company incorporated in Hong Kong (the “Company F/Company G” referred to in the sub-section headed “Sales and Marketing – Our customers – Relationship with particular customers” in this section of the prospectus). The aggregate amounts settled through Third Party Payors by the Relevant Customers were approximately HK\$104.0 million and HK\$45.3 million for each of the two years ended 31 March 2013 respectively, representing approximately:

- (a) 21.6% and 8.6% of the total sales receipts of our Group for the corresponding periods; and
- (b) 65.7% and 20.1% of the total sales receipts of our Group generated from the Relevant Customers for the corresponding periods.

Third Party Payments have been completely ceased since 17 November 2012.

The respective sales attributable to each of the Relevant Customers during the Track Record Period are set out below:

Name of customers	For the year ended 31 March			
	2012		2013	
	Revenue	Percentage attributable to the total revenue of our Group	Revenue	Percentage attributable to the total revenue of our Group
	(HK\$'million in approximate)	(%)	(HK\$'million in approximate)	(%)
Company F/Company G	59.6	12.9	59.8	11.7
Entity H	73.3	15.9	102.0	19.9
Entity J	21.7	4.7	52.9	10.3
Entity B	2.5	0.5	0	0
Entity D	0.5	0.1	0.2	0
Total:	157.6	34.1	214.9	41.9

BUSINESS

The respective purchases by each of the Relevant Customers during the Track Record Period are set out below:

Name of customers	For the year ended 31 March			
	2012		2013	
	Purchase	Percentage	Purchase	Percentage
	<i>(HK\$'million</i>	attributable	<i>(HK\$'million</i>	attributable
	<i>in</i>	to the total	<i>in</i>	to the total
	<i>approximate)</i>	purchase of	<i>approximate)</i>	purchase of
		our Group		our Group
		(%)		(%)
Company F/ Company G	20.2	4.7	16.4	3.5
Entity H	37.5	8.7	19.6	4.2
Entity J	3.9	0.9	1.8	0.4
Entity B	0	0	0	0
Entity D	0	0	0	0
Total:	<u>61.6</u>	<u>14.3</u>	<u>37.8</u>	<u>8.1</u>

As mentioned in the sub-section headed “Our customers – Overlapping of customers and suppliers” in this section of this prospectus, some customers are also our suppliers. Among the Relevant Customers, three of which are our customers as well as suppliers and part of the accounts receivables and accounts payables of our Group due to/from these customers would be set off.

Except for the sales receipts settled by set-off, each of the four Relevant Customers which are entities set up in the PRC settled all their payments through Third Party Payors during the Track Record Period. For the remaining one Relevant Customer (Company F/Company G) which is a Hong Kong limited company, other than 6.3% of the sales receipts settled by set-off, it settled 29.0% of its payments directly and the remaining 64.7% through Third Party Payors.

BUSINESS

Third Party Payors

There were a total of 91 Third Party Payors identified during the Track Record Period, covering approximately 99.8% and 100.0% of the total sales receipts attributable to the payments made through Third Party Payors (the “**Relevant Sales Receipts**”). The identities of payors of the remaining minimal percentages of the Relevant Sales Receipts were not identified as such payments were settled by cash deposit at the banks and the information of the payors was not available on the bank advice. The table below shows the amount of sales receipts attributable to Third Party Payors settled (i) via bank transfers and bank draft and (ii) by cash deposits for the periods indicated:

	For the year ended 31 March			
	2012		2013	
	Sales receipts (HK\$'000)	Percentage of Relevant Sales Receipts (%)	Sales receipts (HK\$'000)	Percentage of Relevant Sales Receipts (%)
Bank transfers and bank drafts	103,754	99.8	45,329	100
Cash deposits	200	0.2	–	–
Total:	103,954	100	45,329	100

To the best information and knowledge of our Directors, most Third Party Payors were engaged in general trading or trading of electronics and computer related products and maintain registered office or business address in Hong Kong, Guangdong province or Shenzhen. They maintain issued share capital ranging from HK\$1 million to HK\$2 million, and except for three of the Third Party Payors who were related parties to Company F/Company G (including the wife of Mr. L (the beneficial owner of Company F/Company G) who may pay upon the instruction of Mr. L for and on behalf of Company F/Company G and other two Relevant Customers, younger brother of Mr. L and a company that Mr. L had interest), all other Third Party Payors were parties who had business dealings with the Relevant Customers and owed money to such Relevant Customers. Further, to the best information and knowledge of our Directors, except that one of the Third Party Payors who was the younger brother of Individual L and was employed as a consultant of the Goldenmars HK during November 2009 to April 2011 as disclosed in the sub-section headed “Sales and Marketing – Our customers – Relationship with particular customers” in this section of the prospectus, none of the Third Party Payors has any past or present relationship with our Controlling Shareholders, Directors and senior management or any of their respective associates.

Settlement procedures

Prior to July 2011, upon being informed by our debtor that we could be expecting a certain sum to be paid to us for the settlement to be made for and on behalf of the debtor, we would check our bank accounts for such sum. We would check and reconcile the individual debtors account with the relevant debtor regularly to ensure our accounts are properly recorded.

BUSINESS

We did not require all our customers who settle their payables to provide us with bank-in or bank transfer advice or the copy confirmation of the payment instruction (collectively, “**Payment Advice**”). We understand that Payment Advice could be served as a proof of customer’s payment, and the relevant sales persons may ask our customers for Payment Advice but would not insist on the same if our customers turned out did not provide their Payment Advice as (i) actual receipt of fund was considered to be of utmost importance and would suffice; (ii) the amount of payment received tallied with the notification made by the Relevant Customers; (iii) there had been no dispute as to the amount settled by the Relevant Customers; and (iv) there had been no request from any Third Party Payor for repayment of any payments received by us. Hence, if the banking documents that we received from our banks did not contain the information on the identities of the payors, such information may not be included in our pre-July 2011 books and records.

To enhance our internal control measures, we have started since July 2011 to proactively require Payment Advice from customers, including those settled through Third Party Payors for the purpose of our record keeping.

Reasoning for the Third Party Payments

As it is a market practice to settle payments for sale and purchase of DRAM chips in US dollars, our Group adopts US dollars as our main functional currency for sale and purchase of DRAM chips and DRAM modules in order to save currency conversion costs and settlement time, and minimise the exposure to currency risk. As we started off as a trading company for sale and purchase of DRAM modules and DRAM chips in Hong Kong in 2005 and Hong Kong companies are subject to less foreign currency restrictions, we sell and purchase DRAM chips and most of our products through Goldenmars HK, our subsidiary incorporated in Hong Kong, and generally require our customers to settle payments to Goldenmars HK in US dollars. During the Track Record Period, the Relevant Customers settled part of their amounts payable to us through Third Party Payors. To the best knowledge and information of our Directors, these arrangements were made mainly (a) for the sake of convenience of the debtors to save payment settlement time and costs and/or (b) because certain debtors do not have a bank account in Hong Kong.

For the Relevant Customers which were entities set up in the PRC, the reasoning for their settlement through Third Party Payors was because they did not have bank accounts in Hong Kong and therefore they requested third parties who have business dealings with them and owed them money to settle the payments to us. For Company F/Company G which is a Hong Kong limited company, it has adopted Third Party Payments to settle some of the payables to us primarily for convenience and for saving settlement time and costs. As a trading company which would like to better manage its cash positions, Company F/Company G found the Third Party Payment approach commercially beneficial to it. If, without using Third Party Payments, it would need to maintain a higher working capital to settle their payables to us, and by asking its customers who owe it payments to pay to us directly, Company F/Company G would be able to save settlement time and procedures so as to better manage its own cash positions.

To the best knowledge and information of our Directors based on their discussions with other industry players whom our Group interacts, settlement through third party payments are not uncommon in the DRAM industry. The Sole Sponsor concurs with such view based on its due diligence work conducted.

BUSINESS

Given that accepting payments from Third Party Payors did not create any inconvenience to us and we are concerned mainly on the settlement of the trade receivables from the Relevant Customers, hence we did not object to such arrangements previously.

To the best information and knowledge of the Directors, there has been no dispute relating to the Third Party Payors arising during the Track Record Period and up to the Latest Practicable Date and, there has been no instance that our Group was required to return funds to any Third Party Payors or other parties in relation to the Third Party Payments. There has never been any payment of money back by us to our customer(s) or the Third Party Payors during the Track Record Period, except for the scant product returns or when we were legitimately conducting business transactions with the same market players.

To the best information and knowledge of our Directors, as some of our customers have business dealings with the same batch of players in the industry, different customers may use the same Third Party Payor. They may also settle through a number of Third Party Payors.

Save as disclosed in the sub-section headed “Business – Sales and Marketing – Our customers – Relationship with particular customer” in this prospectus, to the best information and knowledge of the Directors, none of the customers who instructed Third Party Payors to settle our payments has past or present relationship with our Shareholders, Directors, senior management or their respective associates.

Potential risks relating to Third Party Payments

As advised by our PRC Legal Advisers, as Goldenmars HK is a recipient of payments outside the PRC, such act is not subject to the PRC laws, rules and regulations and we have not breached or would be considered to have breached or circumvented any laws, rules and regulations of the PRC, including among others, the foreign exchange related laws, rules and regulations. As advised by the Hong Kong Legal Advisers, the Third Party Payments were not an illegal arrangement. The Third Party Payments however may be subject to various risks, such as (i) possible claims from Third Party Payors for return of funds as they were not contractually indebted to our Group; (ii) possible claims from liquidators of the Third Party Payors; and (iii) money laundering risk. Such risks are considered remote as further elaborated below:

Given there is no contractual relationship between the Third Party Payors and us, the Third Party Payors may claim against us for return of funds. Such risk is considered remote based on the following: (a) if a Third Party Payor remits or deposits a fund to us by mistake and would like us to refund the fund to it, it would have notified the bank or us shortly after the remittance or deposit was made. During the Track Record Period and up to the Latest Practicable Date, we have not received any such request; and (b) if a Third Party Payor remits or deposits a fund to us with the intention that it is a loan or advance to us, such third party would normally provide the loan at an interests which it would require us to pay and/or to sign a loan note to evidence the loan and the interest payable. During the Track Record Period and up to the Latest Practicable Date, we have not received any such request or paid any interests to any Third Party Payor.

BUSINESS

There may also be possible claims from liquidators of the Third Party Payors if the Third Party Payors became insolvent and were presented a winding up petition or a bankruptcy petition. In case of compulsory liquidation of a company or a bankruptcy of an individual commenced in Hong Kong, the liquidator would look into the circumstances that the payments of the Third Party Payor were made. Dispute may arise when the liquidator considers the payments made by the Third Party Payor (within six months prior to date of presentation of the winding up or bankruptcy petition, and such period is extended to two years for payments made to the associates of the Third Party Payor) are susceptible to constituting an unfair preference to other creditors of the Third Party Payors under sections 266 to 266B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or sections 50 to section 51B of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong). None of the members of our Group was an associate of any Third Party Payors.

Furthermore, indemnity relating to losses arising from Third Party Payments has been provided by some of the Relevant Customers and our Controlling Shareholder, for details, please refer to the paragraph headed “Cessation of Third Party Payment” below in this section.

As advised by the Hong Kong Legal Advisers: (i) our Group will only be subject to money laundering risks should we suspect that the settlement arrangement involves proceeds of, or was used in connection with, an indictable offence or drug trafficking or represent funds used to commit terrorist acts under the Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) respectively. In the event that such suspicion arises, we must disclose that suspicion to a Hong Kong police officer or member of the Hong Kong Customs & Excise Department (as the case maybe); (ii) unlike a financial institution (such as banks) where they are imposed obligations to take all reasonable measures to ensure that proper safeguards exist to mitigate the risk of money laundering and to impose requirements relating to customer due diligence and record-keeping and to provide relevant authorities with powers to supervise compliance with these requirements and other requirements under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), no similar obligations are imposed on us which does not consist of financial institutions as defined in the relevant ordinance.

As all the funds from Third Party Payors were remitted or deposited through banks which are subject to requirements to put in place reasonable measures to ensure that proper safeguards exist to mitigate the risk of money laundering and to impose requirements relating to customer due diligence and record-keeping, the Directors considers that the money laundering risk does not pose any substantial risk to our business. To the best information and knowledge of the Directors, there have been no suspicious transactions identified during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Cessation of Third Party Payment

All Third Party Payment arrangements have ceased since the end of November 2012, and internal control measures have been put in place to disallow customers to settle their payments through third parties. Three out of the five Relevant Customers (covering 98.0% and 99.6% of the total sales receipts settled through Third Party Payors for each of the two years ended 31 March 2013) entered into an agreement with us on 17 December 2012, pursuant to which each of them agreed to not to settle their payments through any Third Party Payors and agreed to indemnify our Group from any losses arising from Third Party Payments. The relevant customer which is a Hong Kong limited company ceased to settle their payments to us through third parties and started to settle all their payments to us directly since mid August 2012. The respective owner of each of the two out of the four Relevant Customers who were PRC entities subsequently set up a new company in Hong Kong which commenced settling payments to us. The Relevant Customers agreed to such arrangements as we deployed our good business relationship with them over the years. To the best information and knowledge of our Directors, for Company F/Company G, though the settlement to us may not be as freely arranged as before for their cash management, they do not suffer any loss even if they settle their payments to us directly. We ceased to have business with the remaining two Relevant Customers who were entities set up in the PRC, which in aggregate accounted for approximately 0.6% and 0.1% of our revenue during the Track Record Period, respectively. The Controlling Shareholders have also agreed to indemnify us for any losses arising from Third Party Payments. For details of the internal control measures relating to the monitoring of Third Party Payments and detecting and reporting of money laundering issues, please refer to the sub-section headed “Business – Internal Control”.

In view of the aforesaid, the Directors confirmed that the cessation of Third Party Payment does not have any material adverse impact to our Group.

Seasonality

The traditional peak season for sales of DRAM modules is the third and the fourth quarters of each year. This may be due to an increase in demand for DRAM modules by computer manufacturers in preparation for sale of computers on or around the term times at schools or traditional peak seasons such as Christmas and Lunar New Year for purchase of desktops and laptops.

Our revenue during the Track Record Period however did not accord much to such pattern. This may be due to a number of factors such as popularity of personal computers and timing for the transition of technology of upgraded DRAM modules. We however cannot assure you that our sales will not be affected by the traditional seasonal fluctuation in the future.

AFTER-SALES SERVICES

Maintenance, repair services and sales return

Our Group is committed to keeping our customers satisfied with our products by providing after-sales service. We maintain an easily accessible after sales services, including by facsimile, email or by visiting our office in person. Our after sales service includes warranty and/or technical support including warranty and/or technical supports to computer manufacturers and/or end users of all our branded products.

BUSINESS

Branded products

For customers who visit our office in person with our defective branded product, we generally return the repaired product or a newly replaced product if the product cannot be repaired under our terms and conditions to our customers. For customers who contact our after-sales by facsimile or email, they only need to download our Return Merchandise Authorization (“**RMA**”) Form available at our official website at www.goldenmars.com and report the problem. After filing of the completed form by e-mail or facsimile, we will provide a RMA number to our customers which may within 15 days from the date of receipt of the RMA number send the product to us by mail. Further details regarding our after sales customer service are available on our website at www.goldenmars.com.

We generally provide life-time product warranty for our branded DRAM modules and USB products which are inherently defective or broken down under the normal use of our branded products. The warranty period for our other branded products ranges from one year to two years. For our non-branded products, the warranty period is generally one year.

Non-branded products

For our non-branded products, we liaise with our customers for any alleged quality problems on a case-by-case basis. Our customers can return the defective products to our Company for repair or replacement provided that they are still covered by the product warranty period. End users of our non-branded products can contact our customers ordering the non-branded products directly which will also serve as a contact point. The warranty terms and period for our non-branded products are usually negotiated between our Company and our customers and therefore such terms and period of warranty differ from the warranty terms and period for our branded product. The terms and period of warranty of our non-branded products may also differ from one customer to another. Our Company generally provides one year warranty for our non-branded products. Unless the products suffer from fundamental failure or are recalled, we are generally not obliged to accept sales return by our customers ordering the non-branded products.

During the Track Record Period, the total raw material costs of approximately HK\$28,000 and HK\$12,000 were incurred for the repairing products returned to us by our customers or end-users for each of the two years ended 31 March 2013, while in view of the insignificance of such amounts attributable to our total revenue, we did not make any specific provision for warranty expenses during the Track Record Period.

Technical Support

Our customers may also contact our Group for technical support assistance by e-mail, the address of which is available on our official website at www.goldenmars.com.

BUSINESS

RESEARCH, DEVELOPMENT AND DESIGN

As at the Latest Practicable Date, we had a R&D team which consisted of over four staff led by Mr. Liang Zhiyuan, one of our senior management, including electronics, mechanical, software and testing engineers and technicians who have sufficient knowledge and experience in SMT production lines and SMD components. They are capable of designing, developing and improvising programmes or software for use in surface mounters including manufacturing of DRAM modules, USB flash drives and solid-state disks.

DRAM modules can be broadly categorized according to three form factors, namely DDR1, DDR2 and DDR3, and we are capable of producing DDR1, DDR2 and DDR3. This evidences our capability of adapting to technology transitions. Our success in adapting to the historical transitions are based on various factors, including among others, (i) the Group have been equipped with SMT production lines which can assemble and produce a variety of memory products; and (ii) hardware and software engineers of the Group have been able to develop different series of DRAM modules with reference to standards published by JEDEC or those provided by suppliers of DRAM chips.

According to iSuppli Corporation, it is expected that DDR3 should remain dominant in the market through 2014 and it further forecasts that DDR4 will become major form factor around 2015. To the best of the Directors' information and knowledge, and based on our experience, suppliers who develop new DRAM chips (and who wish to increase the sales of their newly developed DRAM chips) offers supports to DRAM module manufacturers such as providing specification details of new DRAM chips to facilitate the manufacturers to produce compatible DRAM modules. Taking into account of various factors above, we believe we shall be capable of producing DDR4 DRAM modules despite there is not a DDR4 module standard yet.

Also according to the iSuppli Corporation, since profits are declining among module manufacturers, therefore module manufacturers are diversifying their products into other markets that yield greater profits or more stability. SSDs are still relatively nascent in the business cycle, conceptually similar to produce as DRAM modules, and command higher profit margins.

Solid-state drive, or "SSD", is a data storage device that uses solid-state memory to store persistent data with the intention of providing access in the same manner of a traditional block input or output hard disk drive, many SSDs use NAND flash based memory. iSuppli Corporation forecasted that the global revenue generated from SSD will be increased to US\$22.9 billion in 2017, representing a CAGR of approximately 27% as compared to 2012, and the global shipment of SSD will be increased to 232.9 million units in 2017, representing a CAGR of approximately 46% as compared to 2012. We have produced SSDs in small volume and are able to offer the product to prepare ourselves to receive SSD orders when it becomes popular.

We believe that the success of our DRAM modules depends on our ability to anticipate and respond to technology development trend of DRAM modules and ability to produce reliable, compatible and quality products. The success of our USB flash drives and solid-state disks also depends on our ability to design innovative and attractive external cases for these products. During the Track Record Period, our research, development and design expenses, amounted to approximately HK\$0.5

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million and HK\$0.7 million for each of the two years ended 31 March 2013, respectively. Such expenses comprised of staff costs and consumables and have been included in our costs of sales in the consolidated income statements during the Track Record Period.

Our R&D during the Track Record Period were not costly as we gained our techniques for producing our products (e.g. DDR2, DDR3 DRAM modules, and USB flash drives etc.) prior to the Track Record Period, and we have been utilizing our limited resources to make ourselves available for basic software and hardware for product designs and testing of certain common specification. To the best information and knowledge of our Directors, well established customers tend to require meticulous specification with high standard (in particular in terms of compatibility and reliability of the products). In order to (i) match up our plan to attract new customers (in particular top tier computer manufacturers in the PRC) by leveraging on our listing status; and (ii) facilitate our adaptability to the upcoming DDR4 and further improvement of SSD products, we consider that it is important to equip ourselves to accommodate our product development and design capability to meet wider specification and higher standard, as well as enhancing the skills, techniques, flexibility and efficiency of the design of DRAM modules, USB flash drives and SSDs.

To the best information and knowledge of our Directors, additions of certain software and hardware for product design and testing machines could substantially enhance the skills, techniques, flexibility and efficiency of the design of DRAM modules, USB flash drives and SSDs with various specifications, and such advancement would in particular facilitate us to offer the new DDR4 series products when its demand arises in the future. We also consider that it is important to employ additional qualified hardware and software engineers to conduct the R&D.

Although additions of the software and hardware are costly, taking the advantage that our trading segment business does not require capital intensive investment, our Directors consider it be appropriate to apply substantial part of the use of proceeds on manufacturing segment, which would broaden our customer base as a whole. We believe that continued investment in production technologies as well as in research and development are essential to keep our Group abreast of latest trends and technologies which are essential to our Group's continued success and business development in this industry. We seek to improve existing products and technologies as well as developing new products by utilising our existing technologies. Hence, we plan to apply part of the use of proceeds to enhance our R&D capability. For details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

PRODUCTION

Our production and R&D facilities are located in a leased factory in Shenzhen, the PRC. Our production facility has a gross floor area of approximately 2,842.04 sq.m. Our production facilities are strategically located in the PRC which is considered to be one of the major hubs of PC manufacturing and assembling industry, with many of the production facilities of our customers located in close proximity.

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As at the Latest Practicable Date, the Shenzhen Factory housed four Yamaha surface-mount technology lines (SMT production lines). SMT is a method for constructing electronic circuits in which raw components are mounted directly onto the surface of printed circuit boards. This technology has largely replaced the through-hole technology construction method of fitting components with wire leads into holes in the circuit board. The primary features of SMT include its high degree of automation thus reducing labour costs and greatly increasing production rates.

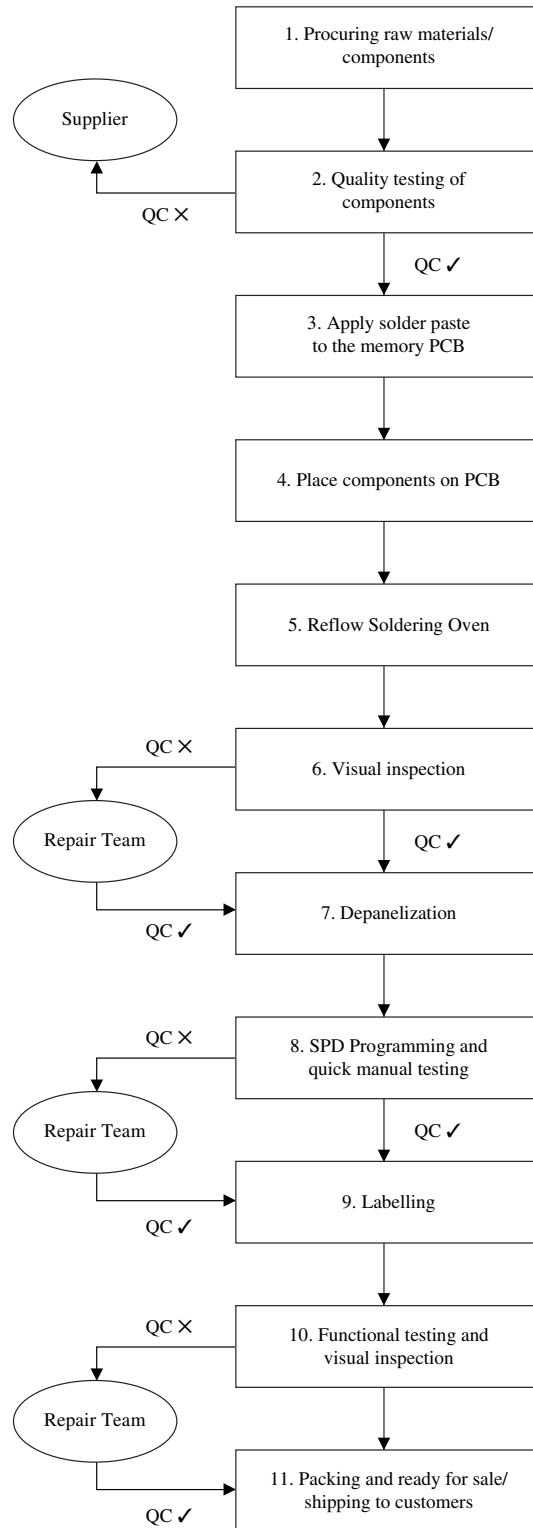
Production Process

The production process of our Group's products varies for different categories of products. However, our production process mainly involved use of SMT to develop and manufacture DRAM modules and other products such as USB flash drives.

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Below is a brief illustration of our typical manufacturing process of our principal products:

1. DRAM Modules



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Step 1 – Procuring raw materials/components

We purchase our main component parts for manufacturing DRAM module from suppliers. The components purchased are DRAM chips, PCBs, EEPROM, controllers, resistors and capacitors.

We source raw component parts from a number of suppliers in order to maintain a good business relationship as well as to minimise reliance on one particular supplier. We do not enter into any long-term supply agreements with our suppliers as our Directors believe that reliance on one particular supplier should be minimised. Therefore, in the event that one supplier refuses to supply us with raw components, we can still source from our other suppliers.

Step 2 – Quality Testing of Components

The raw components are tested for their quality after purchased. If any defects are detected, the components will be returned to suppliers.

Step 3 – Apply Solder Paste

This process is also known as the solder paste printing. A solder paste is essentially powdered metal solder suspended in a thick medium flux. Flux is added to act as a temporary adhesive. The solder paste is applied onto the PCB by an automatic printing machine. The viscosity and flux levels of the paste must be monitored by conducting tests.

Step 4 – Place components on PCB

Components are added to the PCB in a process called pick-and-place. This is a two-stage process. First, a machine is installed with small components like capacitors and DRAM modules. Then the panel goes to another machine where the DRAM chips are installed. Secondly, a robotic arm will get memory chips from the chip tray and places onto the PCBs that come through a conveyor. This process is automatic as the computers are pre-set with data to place the components and parts onto designated positions on the PCB.

Step 5 – Reflow soldering oven

At the second stage, the panel will move to an oven where the solder paste is melted thus keeping the components in place. The molten solder paste is then cooled to keep the components attached to the PCB.

Step 6 – Visual inspection

After the modules are assembled, they are inspected for flaws in the position of the components and to ensure that the solder state conforms to the required standard. If any flaws are detected, the work-in-progress will be sent to our repair team for repairing. Repaired work-in-progress will be sent back to the production line for next step process.

Step 7 – Depanelisation

After the modules are assembled, each module is removed from the panel.

Step 8 – Serial Presence Detect (“SPD”) Programming and Quick Manual Testing

The module SPD chip is programmed and an automated quick test is performed. If the work-in-progress does not pass the quick test, it will be sent to our repair team for repairing. Repaired work-in-progress will be sent back to the production line for next step process.

Step 9 – Labelling

The completed DRAM modules will be labelled.

Step 10 – Functional Testing and visual inspection

The module will subsequently go through more extended tests where the DRAM module is installed on a real motherboard and test. This testing procedure must comply with our internal guideline for testing DRAM modules. Further visual inspection will be conducted. If the completed DRAM module does not pass the functional testing or any flaws are detected, it will be sent to our repair team for repairing.

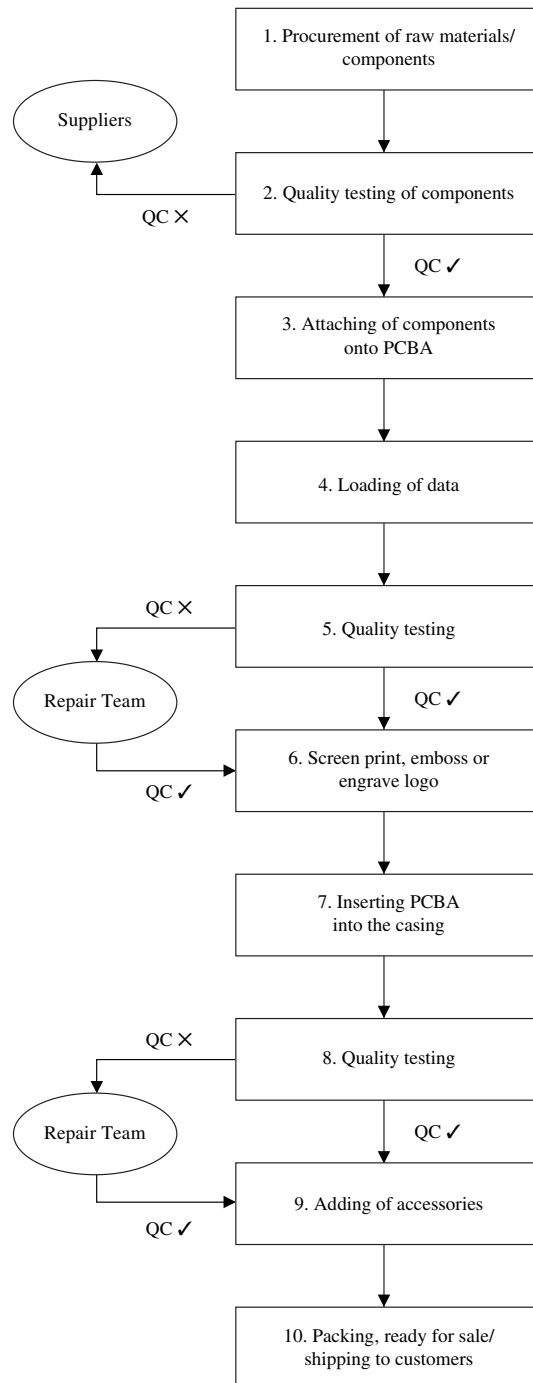
Step 11 – Packing and Ready for sale/shipping to Customers

The completed product will then be labeled, packed and ready for sale or delivered to our clients.

The average lead time for production process Step 3 to Step 8 above is approximately 7.5 hours for producing 1,000 units of DRAM modules. Subject to the volume, specification of DRAM modules orders and the production schedule of the production plant, time needed to complete an order for production of DRAM modules generally takes seven working days or less.

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2. USB flash drives



Step 1 – Procuring raw materials/components

We procure the main component parts for manufacturing USB flash drives from suppliers. The components purchased are flash memory chips (NAND flash), printed circuit board assembly (“PCBA”), which comprised of chips, electronics and USB connector and the external casings.

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Step 2 – Quality Testing of Components

The raw components are tested for their quality after purchase. If any defects are detected, the components will be returned to suppliers.

Step 3 – Attaching of Components on PCBA

This step involved the attaching of the raw components such as flash memory chips onto the PCBA.

Step 4 – Loading of Data

The loading of data onto USB branded memory stick is only applicable to some of our non-branded products where they are requested and provided by our clients. This step is not applicable to our branded products.

Step 5 – Quality testing

The assembled units are tested for its quality. If any flaws are detected, the work-in-progress will be sent to our repair team for repairing. Repaired work-in-progress will be sent back to the production line for next step process.

Step 6 – Screen print or emboss or engrave logo

We will then screen print, emboss or engrave applicable trademark onto the shell of the USB flash drives. For non-branded products, we would be providing our client with a sample for approval prior to embossing or engraving their logos.

Step 7 – Inserting PCBA into the casing

The assembled unit is then inserted into the casings.

Step 8 – Quality testing

The finished product is then tested again for its quality and function. If the completed USB flash drives do not pass the functional testing or any flaws are detected, it will be sent to our repair team for repairing.

Step 9 – Adding of accessories

For USB products, we may, subject to customers' specification of the products, add accessories such as key rings, key holders to the completed USB flash drives at this stage.

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Step 10 – Packing, Ready for Sale/Shipping to Customers

The completed product will then be labelled, packed and ready for sale or delivered to our clients.

The average lead time for production process Step 3 to Step 7 above is approximately 15 hours for producing 1,000 units of USB flash drives. Subject to the volume and specification of the USB flash drive orders, time needed to complete an order for production of USB flash drives generally takes eight working days or less.

Production facilities and capacities

Our Group has leased a production facility located in Shenzhen, the PRC. Below is certain information relating to our Group's production facilities in the PRC as at the Latest Practicable Date:

Facilities	Location	Gross floor area (in sq.m.)	Number of assembly lines	Principal products
Shenzhen Factory	4/F and 5/F, Block No. B17, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC	2,842.04	Four	DRAM modules and USB flash drives

The table below sets forth further information on our production capacity, production volume and utilisation rates for the periods indicated:

	For the year ended 31 March					
	2012	2013				
	Annual production capacity <i>(approximate number of units in thousand)</i>	Annual production volume unit <i>(approximate number of units in thousand)</i>	Utilisation rates <i>(%)</i>	Annual production capacity <i>(approximate number of units in thousand)</i>	Annual production volume unit <i>(approximate number of units in thousand)</i>	Utilisation rates <i>(%)</i>
DRAM modules	2,896	3,003	103.7	2,896	1,464	50.5
USB flash drives	885	739	83.5	885	560	63.3
Combined utilisation rates	-	-	99.6	-	-	53.1

For the three months ended 30 June 2013, the production volume unit for DRAM modules and USB flash drives were approximately 233,000 units and 78,000 units respectively, with utilization rates of 32.7% and 35.8% respectively. The combined utilization rate for the three months ended 30 June 2013 was approximately 33.4%.

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Notes:

(1) When calculating the annual production capacity, we assumed that 80% of the production lines are utilized for manufacturing DRAM modules whereas 20% of the production lines are utilized for manufacturing USB flash drives based on our estimation of time assigned to each production proportion between DRAM modules and USB flash drives during the Track Record Period. The expected annual production capacity of DRAM modules is the sum of the production capacity of each SMT line which is calculated based on the following formula: number of units of DRAM modules that the relevant production line produces per hour x 8.8 hours per day x 318 working days x 80%. The number of DRAM module units of the relevant production line produces per hour is measured and calculated with reference to the average production capacity per hour for different DRAM modules that we produce during the Track Record Period. The expected annual production capacity of USB flash drives is the sum of the production capacity of each SMT production lines which is calculated based on the following formula: number of units of USB flash drives that the relevant production line produces per hour x 8.8 hours per day x 318 working days x 20%.

(2) Estimated combined utilisation rates are calculated on the following formula:

$$\frac{\text{Production volume of DRAM modules for the relevant period}}{\text{Total production capacity of DRAM modules for the relevant period}} \times 80\% + \frac{\text{Production volume of USB flash drives for the relevant period}}{\text{Total production capacity of USB flash drives for the relevant period}} \times 20\%$$

(3) Based on the actual production volume and the average production capacity per hour for different DRAM modules that we produced during the Track Record Period, it is deduced that:

- (a) the proportionate percentage that the SMT production lines were utilized for producing DRAM modules for each of the two years ended 31 March 2013 were approximately 83.3% and 76.2%, respectively, reaching an average proportionate percentage of approximately 79.7% which was then rounded up to 80.0% for the calculation above; and (b) the proportionate percentage that the SMT production lines were utilized for producing USB flash drives for each of the two years ended 31 March 2013 were approximately 16.8% and 23.8%, respectively, reaching an average proportionate percentage of approximately 20.3% which was then rounded down to 20.0% for the calculation of the production capacity;
- the average number of working hours per day for each of the two years ended 31 March 2013 were approximately 8.8 hours and 4.7 hours, respectively, and 8.8 working hours per day was used for the purpose of calculation of the production capacity. Prior to September 2011, in order to establish and broaden our Group's customer base, our management may accept production orders which broken even or sometimes at slight loss. Since September 2011, our management tended to select more profitable orders and avoid accepting non-profitable production orders so as to increase the profit margin of our manufacturing business. According to iSuppli Corporation, the Asian DRAM module market decreased by approximately 5.5% to approximately 367.9 million units and the China DRAM module market declined by 3% to approximately 165.5 million units in terms of shipment volume in 2012. This was mainly due to the weak demand in personal computer market in Asia and China as a result of gloomy economy and rising demand in iPad or other android based tablets in 2012 which mainly use soldered down DRAM chips instead of DRAM modules. With a combination of these factors, our manufacturing orders decreased for the year ended 31 March 2013, and the average number of working hours per day was decreased to 4.7.

For the year ended 31 March 2010, we had a total of two SMT production lines in operation. In light of the full utilisation of the production capacity, in the first half year of 2011, we purchased two additional SMT production lines bringing our annual production capacity to approximately 2.9 million units of DRAM modules and 0.9 million units of USB flash drives. The two additional SMT production lines acquired in 2011 were subject to a finance lease dated 25 March 2011 that we entered

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into with a bank at a total amount of HK\$3,315,000 repayable within a term of 36 months. Interest rate of 3% per month will be charged for overdue payments and if we early settle the finance lease, we will be subject to a handling fees of 3%, 2% and 1% of the prepayment amount should the finance lease be settled during the first, second and third year, respectively.

All our SMT production lines can assemble and produce a variety of memory products with slight adjustments. These adjustments can be completed in-house by our R&D team within a reasonably short period of time (which takes approximately half an hour) and at nominal costs. Our Directors believe that DRAM module industry and flash memory product industry are fast-changing and high technology industries, availability of advanced and flexible SMT production lines which save us costs and enhance the production efficiency would be a key to the success of our business. During the Track Record Period and up to the Latest Practicable Date, there has been no breakdown of our SMT machineries.

As at the Latest Practicable Date, our Group leased and occupied the factory located at Baoan, Shenzhen, the PRC. Our Shenzhen Factory has a gross floor of approximately 2,842.04 sq.m. The production facility consists of workshops, warehouses and offices. The lease of the Shenzhen Factory will expire on 31 December 2016.

In light of the low utilization rate of the production facilities for the year ended 31 March 2013, we (i) temporarily reduced the headcount for production and quality control by approximately 15% and 45% respectively; and (ii) increased the headcount for sale and marketing by 50% to enhance the overall sales force of our Group.

Save as stated above, there were no other major adjustments to our operation due to the low utilization rate of the production facilities. Our management will adjust the relevant headcounts, increase any production line or make other adjustments to the operation as and when they consider appropriate after taking into account of the manufacturing orders received, the prevailing market conditions and the new quality control and testing equipments to be purchased after the Listing.

Although we have not entered into any long term agreement with our customers and we have not received concrete orders for the coming years, our Directors believe that based on the growth in the DRAM module market in the PRC projected by iSuppli Corporation and the fact that our listing corporate status would facilitate us to obtain more orders, it is expected that our production lines will be further utilised.

We will still focus on producing DRAM modules and USB flash drives by utilising the existing production capacity. As the technology transits, we expect to start producing DDR4 DRAM modules in around the end of 2013 or 2014 depending on the release of the DDR4 DRAM module standard by JEDEC and market situation from time to time. We will only put more resources to promote and produce SSDs when it becomes popular. For the time being, the Company expects the proportion of the production capacity to utilise among DRAM modules and USB be 80% and 20%, respectively, up to 31 March 2015. As our production capacity has yet to be fully utilised, when our Group receive orders for SSDs, the production plant could easily spare part of its capacity for the production as the management considers appropriate. The expected customers ordering SSDs include computer manufacturers who need SSDs to be used as drivers in desktop, notebooks and Ultrabooks when the

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demand in SSD increases. We could expect orders from our existing customers who are computer manufacturers and will explore new computer manufacturer customers as and when SSD becomes more popular. To the best information and knowledge of our Directors, exploration of new customers can be achieved mainly by referrals and participating in computer related exhibition. Based on the experience of our management and to the best information and belief of our Directors, maintaining a listing status of a company facilitates in establishing relationship with computer manufacturers who tend to choose well established suppliers.

Quality Control

We believe that quality standards are crucial to our success. Therefore, we are committed to ensuring that our products meet the standards imposed by various external organizations. Our Group implements a strict quality control system, which is certified under ISO9001:2008. Our DRAM modules also comply with the standards set by JEDEC, an independent semiconductor engineering trade organization and standardization body which is responsible for setting the standards for data rates of Double Data Rate Synchronous DRAM (“**DDR SDRAM**”). Compliance with the JEDEC standard in the DRAM Module industry is indicative of the compatibility of a DDR SDRAM.

To ensure the quality of our products, we also have quality control departments devoted to testing the quality of DRAM modules and other products. In addition, we also use testing machineries to ensure that our finished products meet customers’ expectations. Our Group employs a quality control team comprising of three of employees. Our quality control team is responsible for:

- (a) inspecting raw materials and components before such materials and components are accepted for use;
- (b) conducting random sample testing at different stages in the production process to ensure that the quality of our products are satisfactory; and
- (c) checking the finished products for consistency and quality upon completion of the production process.

Quality control checks are performed throughout the production process from the raw materials and components procurement stage to product delivery stage to ensure that our products meet the quality and safety standards applicable to our Group’s products.

We are able to offer products including both DRAM chips and USB flash drives in compliance with various international safety standards including conformity with the council EMC direction 2004/108/EC (CE Marking), Restriction of Hazardous Substances Directive 2002/95/EC (RoHS) and FCC Rules and Regulations for Information Technology and Equipment.

The CE Marking on our products indicates that they conform with the mandatory requirements stipulated by the European Commission Directives relating to safety, health and environmental protection for products sold in the European market. Compliance of RoHS which is adopted by EU indicates that the specified six hazardous materials in the manufacture of various types of electronic and electrical equipment are within the limit specified in RoHS for our products. All electrical and

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electronic products imported, sold or leased in the US market must comply with the FCC Rules and Regulations for Information Technology Equipment, which regulates radio frequency pollution emitted by electrical and electronic products.

Customers who would like to have products purchased from us to comply with the relevant directions or rules would indicate their request prior to making orders, and upon the request of our customers, we would manufacture products which comply with the relevant European Commission Directives, RoHS and/or FCC Rules and Regulations. To ensure that our products comply with the relevant directions and rules as per customers' request, our Group would submit the relevant series or models of DRAM modules and USB flash drives to recognized testing centres for testing their conformity with the required international safety standards. Numerous (but not all) models of our DRAM modules and USB flash drives that we offer are in compliance with the relevant European Commission Directives, RoHS and/or FCC Rules and Regulations.

The quality of our products has also been repeatedly confirmed by the following certification(s) and accreditations received:

Certification/ Accreditation	Issuing organisation	Area of accreditation	Date of issue	Validity Date
Quality Management System Certificate (ISO9001:2008)	Shenzhen Universal Certification Service Co., Ltd.	Production of Memory Products	11 January 2008 (Re-issue date: 10 November 2010)	9 November 2013

The Group's ISO certified quality management status confirms our ability to consistently provide products that meet customers' requirements as well as the regulatory requirements.

Our quality control team adopts the following major quality control procedure in the daily production process for every order:

(a) *Inspection of raw materials and components*

We conduct routine inspection and tests on the raw materials and components procured from our supplier before they are used in the production process to ensure that such materials and components comply with our specifications and also the quality standards required.

(b) *In-process quality testing*

Our Group carries out in-process quality inspection and tests at various stages within the production process. Our Directors believe that such in-process quality inspection enables us to identify any defects easily and to promptly rectify the problems.

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(c) Finished Product testing

We inspect and carry out general functional tests on all finished DRAM module products and on some of the products other than DRAM modules on sample checking basis prior to packaging and delivery to customers to ensure compliance with the required specifications and quality standards. Products that fail the general functional tests and products that do not conform to the specific requirements are sent back to our production facilities for corrective actions. Rates of DRAM modules which failed to pass the finished product testing for each of the two years ended 31 March 2013 were approximately 0.36% and 0.33%, respectively. Rates of USB drives which failed to pass the finished product testing for each of the two years ended 31 March 2013 were approximately 0.55% and 0.54%, respectively.

For further details of our quality control procedures, please refer to the sub-section headed “Business – Production – Production Process” in this prospectus.

We believe that our stringent quality control procedures contribute to the overall low rate of our products for repairing, which was calculated with reference to the units of products returned by our customers or end users and the volume of the relevant products for repairing. Such rates of DRAM modules for each of the two years ended 31 March 2013 were approximately 0.48% and 0.42%, respectively, and those for USB drives for each of the two years ended 31 March 2013 were approximately 0.50% and 0.49%, respectively.

During the Track Record Period, except bitty return of products by customers or end-users during the product warranty period, there has been no product recalls. We may receive small complaints or review of our products occasionally, we have been able to comfort our customers or end-users of our products by reworking on or repairing such products. During the Track Record Period, there was no actual claim against us relating to the quality of products.

RAW MATERIALS AND SUPPLIERS

Our principal types of raw materials and components include DRAM chips, PCBs, EEPROM controllers and NAND flash. We source our raw materials from various suppliers including distributors or agents of well established DRAM chip manufacturers in Taiwan and Korea. We select our suppliers based on product quality, reliability, price and compatibility. Riding on our connection established since our establishment in 2005 and upon request of our customers, we also source DRAM modules from other DRAM module manufacturers based on the brand, specifications and volume required by our customers.

We have developed stable relationships with our key suppliers. For each of the two years ended 31 March 2013, our five largest suppliers accounted for approximately 60.2% and 66.8%, respectively, of our total purchases, and our largest supplier for each of the reporting periods accounted for approximately 22.2% and 39.2%, respectively, of our total purchases. Our top five suppliers include a DRAM chip manufacturer which belongs to a listed company in the US and is one of the top five global DRAM suppliers in 2012 (in terms of market share based on shipment according to iSuppli Corporation), a DRAM chip supplier whose shareholders include a listed company in Taiwan and trading companies who source various brands of DRAM chips. If we are unable to source the DRAM

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chips directly from certain DRAM chip manufacturers, we would source them from other alternative manufacturers or various trading companies who source various brands of DRAM chips. Hence, although there are only a limited number of DRAM chip manufacturers, we have alternative suppliers readily available.

We were usually granted a credit period of up to 15 days for purchase of DRAM chips and up to 60 days for purchase of other raw materials.

There are only a few major DRAM chips manufacturers globally. We source our DRAM chips through various channels, including, but not limited to, the agents of DRAM chips manufacturers, distributors and sometimes other sellers of DRAM modules or DRAM chips who are also our customers. On the other hand, some of our suppliers may also purchase goods from us if we have stock with specification they are in need of. Six out of our top ten suppliers for the year ended 31 March 2013 were also our customers.

Notwithstanding our reciprocal supply and demand relationship, our Directors and the Sponsor consider that our Group does not engage in any tolling operations for the suppliers after taking into account of various factors, including among others, that (i) ordering DRAM chips by us from the suppliers and ordering DRAM modules by our suppliers from us is not conditional upon each other and such transactions are independent from each other; (ii) issue of our sales invoice to our suppliers who are also our customers are standardised invoice consistent with other major customers of our Group; (iii) the relevant suppliers do not have the priority to purchase the DRAM modules produced from the DRAM chips supplied by the suppliers; (iv) the suppliers are not obligated to purchase the DRAM modules produced by our Group and our Group can freely sell the DRAM modules processed from the DRAM chips supplied by the suppliers to other customers; and (v) the inventory risk of DRAM chips supplied by the suppliers are borne by our Group but not the suppliers.

None of our Directors, our chief executive or any person who, to the best of our Directors' knowledge and information, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our Group's five largest suppliers during the Track Record Period.

INVENTORY CONTROL

Our inventories mainly consist of (1) raw materials; (2) work-in-progress; and (3) finished products. Among raw materials, we have two different sourcing teams. One of the teams is stationed in Hong Kong, who also serves as the trading team and is responsible for sourcing DRAM chips and the other is stationed in Shenzhen, the PRC, who is responsible for sourcing other components.

For our branded product business, we usually keep inventory up to a volume ranging from 10% to 20% of annual budget sales volume to cater to the changing demand for our branded products or sometimes we may produce products upon receipt of purchase orders. For our non-branded product business, our products are produced upon receipt of purchase orders from our customers. We generally do not procure raw materials and will only commence production until after receipt of the confirmed purchase orders from our customers.

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Fluctuation of the prices of DRAM chips and DRAM modules

Our business operations are subject to fluctuations in the price of DRAM chips, an important component of DRAM modules and our key trading product. For each of the two years ended 31 March 2013, the total amount of DRAM chip purchases were approximately HK\$376.4 million and HK\$330.7 million, respectively. According to the iSuppli Report, the pricing of DRAM chips is overwhelmingly driven by the balance between supply and demand. Also according to the iSuppli Report, pricing has swung wildly over the past five years. For details, please see the section headed “Risk Factors – Our business operations are subject to fluctuations in the price of DRAM chips, an important component of DRAM modules and our key trading product”.

Many large DRAM chip suppliers require us to provide estimation of orders to be placed from time to time. These include among others, one of the top five global DRAM suppliers in 2012 (in terms of market share based on shipment according to iSuppli Corporation) and a large DRAM supplier (whose shareholders include a listed company in Taiwan). We compile our estimated orders based on a number of factors including the expected orders from customers through day-to-day communication with our customers, the price information obtained from DRAM related websites and the inventory records from our product plant. We generally place orders of raw materials if we (i) expect the demand of order is to increase, or (ii) receive orders from customers, or (iii) receive purchase notice from the staff responsible for monitoring the inventory control for the manufacturing plant.

Given we may order raw materials for manufacturing before we obtain formal purchase orders from our customers whereas some customers changed their specifications of products needed, we would trade out such raw materials. As the market prices of DRAM chips fluctuate, and to take advantage of economy of scale from bulk purchasing of DRAM chips for manufacturing purpose, we generally would also purchase extra DRAM chips when we expect the prices and demand of DRAM chips to increase. If we expect on the one hand our orders on certain specification of DRAM modules will increase whereas on the other hand the demand and prices in DRAM chips in the market are to increase, we place extra DRAM chips when doing the bulk purchase so as to capture any potential gain in profit when we subsequently sell our DRAM modules or DRAM chips to our customers at the then increased market price.

Further, for our trading business, we generally act upon potential customers’ enquiries as to the availability of DRAM chips. Our trading team will conduct stock checking to ascertain if we have any or sufficient stock enquired. While doing the checking, we will take into account the stock reserved for manufacturing orders. If we do not have sufficient stock, we will check with our suppliers to ascertain the availability of stock, prices and expected delivery date on individual bases. Based on the assessment of the market condition of the DRAM chips by our trading team, we may order the DRAM chips before or after the purchase order is received from our customers.

We carry out physical inventory counts on a monthly basis for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. In addition, our Group adopted “first-in first-out” method to ensure inventories of older age will not be unnecessarily accumulated for an extended period of time. Generally, provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories. We made provision for net

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realizable value of inventory of approximately HK\$7.9 million for the year ended 31 March 2011 as the market price of our inventories fall below their respective costs while approximately HK\$3.2 million of which were reversed during the year ended 31 March 2012 when we sold part of the inventories above the value that the relevant goods were written down to. For the year ended 31 March 2012, we made provision for net realisable value of inventories of approximately HK\$0.3 million and provision for inventory obsolescence of approximately HK\$0.4 million. For the year ended 31 March 2013, we made provision for inventories obsolescence of approximately HK\$1.7 million.

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of protecting and enforcing our intellectual property rights, in particular our “**GoldenMars**^{Technology}” mark.

We have obtained or applied for registration for the trademark “**GoldenMars**^{Technology}” in Taiwan, the PRC and by way of a Community Trade Mark Registration covering the following 27 member states of the European Union (including *Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom*).

Please see the sub-section headed “Statutory and General Information — Further Information about Our Business — 2. Intellectual Property Rights” in Appendix V to this prospectus for further details on the intellectual rights of our Group.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights or any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

COMPETITION

We operate in a highly competitive industry characterised by rapid technological development, evolving industry standards and short product life cycles. The DRAM modules industry is fragmented and based on publicly available information, our Directors’ industrial knowledge and experience, and having considered companies from across the world, our Directors note that there are several companies engaged in similar DRAM modules supply business including among others, Kingston Technology Corporation, ADATA Technology Co., Ltd, Ramaxel Technology, Apacer Technology Inc. and Power Quotient International Co., Ltd. According to the iSuppli Report, Taiwanese DRAM module company Kingston dominated the market in the PRC. Besides Kingston, there are some leading third party DRAM module suppliers from Taiwan, such as A-Data Technology Co., Ltd, Apacer Technology Inc. and Kingmax Technology Inc. etc. There are limited numbers of DRAM module manufacturers in the PRC. Competitors in the PRC mainly include Ramaxel Technology Limited, Kingtiger (of Newlyster International Technology Limited), Shenzhen Mercypower Technology Co., Ltd. and Sinochip Electronics Co., Ltd.

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Our overall competitive position depends upon a number of factors, including (i) our brandname; (ii) the availability, performance and reliability of our products; (iii) our manufacturing capacity and capability; (iv) our long term relationship with our customers; (v) our selling prices; (vi) the quality of our manufacturing processes; (vii) the breadth of our product line; and (viii) our ability to participate in the growth of emerging technologies.

Our competitors may have substantially greater financial, engineering and manufacturing resources as well as greater brand recognition and stronger customer relationships.

In order to cope with those competitions and strengthen our competitive position in the market, we endeavour to keep abreast with the latest market development, development needs of various industry segments, and product and technology advancement. Furthermore, our Directors believe that with our established relationship with suppliers, customers and business partners and dedicated management and professional team of sales personnel and hardware and software engineers, we have a solid foothold in the PRC enterprise DRAM module market for future business development.

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues. We consider the protection of the environment to be important.

We have obtained Environmental Management System Certificate ISO14001:2004 certification for production of our DRAM modules. This certification is valid until 9 November 2013.

We believe that our production process does not generate environmental hazards and does not otherwise have a significant adverse effect on the environment and that our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations. Our costs of compliance with the applicable environmental rules and regulations are approximately HK\$13,764 and HK\$13,916 for each of the two years ended 31 March 2013. The expected cost of compliance with applicable environmental rules and regulations for the year ended 31 March 2014 is approximately HK\$13,916.

As at the Latest Practicable Date, no administrative sanctions, penalties or punishments were imposed upon us for the violation of any environmental laws or regulations.

LITIGATION AND LEGAL COMPLIANCE

From time to time, we may become involved in legal proceedings relating to claims arising out of operations in the normal course of business.

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that could have a material adverse effect on our results of operations or financial condition.

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As advised by our PRC Legal Advisers, save as disclosed below we have obtained the relevant approvals, permits, licences and certificates for conducting our businesses and our Group has complied with all the applicable PRC laws, rules and regulations during the Track Record Period and up to the Latest Practicable Date. We have also complied with all the applicable Hong Kong laws, rules and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Validity of the Initial Capital Injection of Bodatong Shenzhen

In accordance with the Articles of Association and Supplementary Articles of Association of Bodatong Shenzhen, its registered capital was to be injected in two tranches: the first tranche being RMB3 million was to be paid in kind within 90 days of the issuance of the business licence of Bodatong Shenzhen; the second tranche being RMB7 million was to be paid in cash within two years of the issuance of the business licence.

On 13 September 2007, a capital verification report was issued stating that RMB3,907,789.13 has been injected in kind, which in turn has been verified by the value appraisal certificate (the “**Value Appraisal Certificate**”) issued by the Shenzhen Import/Export Inspection and Quarantine Bureau. Yet in accordance with the Companies Law of the People’s Republic of China promulgated on 1 January 2006 and the 關於外商投資的公司審批登記管理法律適用若干問題的執行意見 (Implementation View of Certain Issues relating to applicable administrative laws of company approval and filing of foreign enterprises*), a valuation report will need to be prepared to assess the value of the capital injection in kind. The Value Appraisal Certificate alone will not suffice to validate the value of the capital injection and hence the RMB 3,907,789.13 capital injection is flawed. According to our PRC Legal Advisers, in the event the relevant capital injection based on the Value Appraisal Certificate is regarded as a false injection of capital which may jeopardize the interests of creditors, the relevant regulatory authority may impose not less than 5% but not more than 15% of the difference in the amount between the value supported by a the Value Appraisal Certificate and the formal valuation report as penalty on Bodatong Shenzhen. In light of the retrospective valuation report issued by the 深圳市中企華評資產評估有限公司 (Shenzhen City Zhongqi Huaping Asset Valuation Co., Ltd.*) dated 30 April 2011 certifying that the actual value of the capital injection in kind on 31 August 2007 was RMB3,935,510, this flaw has been remedied and will not constitute any adverse impact on the continual operations of Bodatong Shenzhen. As advised by our PRC Legal Advisers, such non-compliance has been fully rectified and need not be reported to the relevant government authorities, and given the value stated in the required valuation report is slightly higher than the value stated in the Value Appraisal Certificate, the relevant capital injection value based on the Value Appraisal Certificate did not constitute a false injection of capital, no penalty will be imposed on us.

In accordance with the PRC Company Law, the 公司註冊資本登記管理規定 (Administrative Provisions on the Registration of Companies*) and the Memorandum and Articles of Association of Bodatong Shenzhen, the second tranche of the capital injection has to be made within two years of the issuance of the business licence, being on or before 11 July 2009. According to the capital verification report, the second tranche was only injected to Bodatong Shenzhen on 6 November 2009 which did not comply with the aforesaid requirements. According to our PRC Legal Advisers, for entity which fails to inject capital within the time frame imposed by the relevant PRC laws and its memorandum and articles of association, the relevant regulatory authority may request the relevant

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entity to inject the relevant capital within a time frame and failure to do so may attract not less than 5% but not more than 15% of the relevant capital as penalty. According to our PRC Legal Advisers, since the Shenzhen Municipal for Industry and Commerce has already authorized the amendment to the paid-up capital of Bodatong Shenzhen and issued the new business licence, this defect has been remedied and no penalty will be imposed on us and it will not constitute any adverse impact on the continual operations of Bodatong Shenzhen.

Save as disclosed above, we have complied with and will continue to comply with the applicable laws and regulations.

Going forward, we shall seek advice from our legal advisers and relevant professionals as to the proper manner of injecting capital in companies in the PRC.

Anti-dumping and countervailing duties

We export our products to various jurisdictions, including among others, the US and Europe. Some of the countries to which we export our products may impose anti-dumping duties on products exported from another country if their governments decide such exported products are being sold (i) at less than the producers' sale prices in the home market, or (ii) at prices that are lower than their production costs. Some of the countries to which we export our products may impose countervailing duties on products imported from another country for the purpose of offsetting the negative effects of subsidies provided by the governments of the exporting countries on the products that are found to be hurting domestic producers. For example, the US and the EU have, in the past, imposed countervailing duties on memory chips and DRAM modules manufactured in and/or imported from Korea. We avoided exporting DRAM modules composed of memory chips sourced from Korea to the US and the EU and will also do so if similar duties are imposed again on DRAM chips and DRAM modules manufactured in and/or imported from Korea in the future.

For each of the two years ended 31 March 2013, revenue from our export sales (sales to places other than the PRC and Hong Kong) accounted for approximately 34.8% and 18.3% of our total revenue, respectively and revenue from sales to our customers in Americas and Europe accounted for approximately 14.7% and 5.6% of our total revenue, respectively. To the best of our Directors' information and knowledge, none of our products exported overseas have been imposed any anti-dumping or countervailing duties, including being imposed of anti-dumping and countervailing duties on DRAM modules composed of memory chips sourced from Korea. As at the Latest Practicable Date, our products were not subject to any anti-dumping measures or countervailing duties, including being imposed of anti-dumping and countervailing duties composed of memory chips sourced from Korea. If similar duties are imposed again on DRAM chips and DRAM modules manufactured in and/or imported from Korea in the future, we will avoid exporting DRAM modules composed of memory chips sourced from Korea to the countries imposing such duties.

INTERNAL CONTROL

Our Group adopted various internal control policies and measures to ensure continuing compliance of applicable laws, rules and regulations and to control our business risks on various facets. These facets and measures covered, include among others, the following:

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For the purpose of compliance of GEM Listing Rules and other applicable laws, rules and regulations:

- established the Audit Committee
- established the Remuneration Committee
- established the Nomination Committee
- established the Corporate Governance Committee
- established the internal audit function to establish and develop internal control procedures for monitoring purposes; and for the time being, Mr. Lo Kam Hon Gary, our company secretary and the chief financial officer of the Company, is primarily responsible for the internal audit and corporate governance function of our Group. This function will be further reviewed regularly by the Audit Committee. For the relevant experience and qualification of Mr. Lo Kam Hon Gary and that of the members of the Audit Committee please refer to the sub-section under “Independent Non-Executive Directors” and “Senior Management” under the “Directors, Senior Management and Employees” section of this prospectus for further details
- established the corporate governance function upon listing to develop and review our corporate governance practices. The corporate governance function will be within the purview of the Corporate Governance Committee which is headed by Mr. Lo Kam Hon Gary, who is ultimately responsible to the board of Directors. The other members of the Corporate Governance Committee are Ms Lau Wing Sze, an executive Director of our Company and the general manager of Goldenmars HK, and Ms. Lu Qinzhen (陸芹珍), the finance manager and vice-chairman of the board of directors of Bodatong Shenzhen. Our Directors believe that this committee will constitute the appropriate personnel to oversee the corporate governance function of our Group at different levels. For the biography and experience of the committee members, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for details
- retained legal advisers as to Hong Kong law to give trainings or regular seminars and updates twice a year on the continuing obligation of a listed company in Hong Kong and on directors’ responsibilities and liabilities to directors and senior management
- retained legal advisers as to the PRC law to give trainings or regular seminars and updates twice a year on the applicable PRC laws, rules and regulations to directors and senior management
- provide internal training to staff as appropriate in order to enable them to follow the internal control and corporate governance procedures

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For the purpose of compliance of tax related laws, rules and regulations:

- established a tax filing workflow and each of the finance managers of Goldenmars HK and of Bodatong Shenzhen, under the overall supervision of our chief financial officer, is responsible for tax filings in Hong Kong and the PRC, respectively. The finance manager of Goldenmars HK has been in accounting and finance field for approximately 10 years and the finance manager of Bodatong Shenzhen has been responsible for the tax filings for Bodatong Shenzhen for approximately five years. The tax filing workflow are summarised as follows:
 - For tax filings in Hong Kong: → tax return received → finance manager to communicate with tax representative → pass signed copy of audited financial statements to tax representative to prepare tax return → tax return reviewed by finance manager → tax return reviewed by chief financial officer → tax return reviewed and signed off by a Director → tax representative to submit tax return before filing deadline → copy of tax return filed kept by finance manager
 - For tax filings in the PRC: → finance manager and finance officer to observe tax filing deadlines for various applicable taxes; tax representative is also engaged to remind us on the tax filing deadlines → finance officer to log in relevant official websites to prepare draft online tax submission → finance officer and finance manager to discuss with or consult tax representative if necessary → draft online tax submission reviewed by finance manager → finance officer to submit the filings online → pay tax online → check and review filings submitted online and print out for record → for filings which need to be filed in hard copy, finance officer to affix company seal and finance officer to deliver the duly sealed copy filing with the relevant tax authorities and keep one copy for record (Note: upon Listing, the draft online tax submission will be further reviewed by chief financial officer prior to submission)
- finance manager in the PRC has been and will continue to be responsible for monitoring the threshold of transaction attributable to related parties of Bodatong Shenzhen, prepare the relevant transfer pricing related reports, observe the deadline and make such filings with the relevant tax authority; any transfer pricing issues would be further monitored and observed by the chief financial officer and where necessary, relevant tax representatives will be consulted
- continue to engage an independent auditor firm in the PRC to advise us on tax related filing matters as well as reminding us on relevant tax filings

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For the purpose general compliance of various laws and regulations:

- entered into annual retainers with legal advisers as to Hong Kong law and legal advisers as to PRC law to provide general legal advices to our Group
- engaged professional company secretarial firms to provide services on corporate filings required under the Cayman Islands law, BVI laws and Hong Kong laws
- our company secretary is to monitor the general compliance of various laws and regulations and seek legal advice as appropriate

For monitoring receipt of payments by Third Party Payors:

- disallow our customers to settle payments through Third Party Payors
- insert additional terms into its sales invoices to instruct our customers to settle the amounts owing to the Group directly and no funds from any Third Party Payors would be accepted as the settlement of the invoices
- in the event that any fund is settled by an unknown party, the Accounts Department would set aside the fund, make enquiry regarding the identity of the remitter of the fund from the bank and return the fund to such party, at the same time, it would keep on chasing the payment from the relevant customer
- require our customers to provide the relevant bank transfer slips after the payments are made for verifying and tracing the funds
- reconcile and match the bank transfer slips with our bank statements regularly

Our internal control consultant, an Independent Third Party, reviewed the internal control measures of our Group and confirmed that there was no material control deficiency identified.

For the purpose of keeping proper financial records:

- conduct account receivables and account payables reconciliation regularly to ensure that income/revenue are properly recorded
- established structured anti-fraud controls such as whistleblower policy to report directly to the Board

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For detecting and reporting money laundering issues:

- require customers to settle through bank system and do not accept cash payment for purchase of our products
- put in place procedures to monitor and analyse cash flows to detect unusual cash flow and these include matching each bank receipts to sales to sales invoice by our accounts department, monitoring of the accounts receivable by our accounting manager and sales manager and reporting to our Directors and chief financial officer of any un-matched or unknown receipts
- conduct standard due diligence on our customers, including obtaining credit reports from professional search agents against any new customers and conducting annual public information check and/or credit checks on all customers
- regular training and awareness programs to keep staff apprised of and updated on indicators of suspicious activity
- put in place procedures to report suspicious transactions, including reporting by staff to the head of Corporate Governance Committee of the Group, Mr. Lo Kam Hon Gary who would lead the Corporate Governance Committee to look into the issue, and reporting by the head of Corporate Governance Committee to the Board before reporting of any suspicious case of money laundering or terrorist financing to the police

For procurement, inventory and pricing policies to control and manage the risk of fluctuation in prices of DRAM chips and DRAM modules, order cancellation and their profit margin:

- obtain and record forecasts of expected orders from customers (including specification, volume and expected time of placing order) regularly (monthly or quarterly depending on different customers) by sales persons to compile monthly forecast reports
- monitor the prices of DRAM chips on the DRAM Exchange website everyday and collect historical price charts and analysis, and set weekly customer price list and price at cost (or lowest acceptable price) list for internal reference; to this end, the expected profit margin shall be taken into account and except those items which are at promotion, no prices shall be set at loss and no order at prices below the price at cost shall be accepted unless with the approval of both the Chairman and the CEO
- for branded product business, keep inventory up to a volume ranging from 10% to 20% of annual budget sales volume to cater for the changing demand of our branded product

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- rate the customers of our manufacturing and trading business with grades A, B and C (with half yearly review) with reference to various factors, including among others, (i) the shortfall or discrepancy between the actual orders made and the forecast of expected orders previously provided or made by each customer, (ii) the length of business relationship with the customer, (iii) expected annual sales of the customer and the credit record of the customer. Unless approved by both the Chairman and the CEO, major factors taken into account and application of the grading will be as follows (with Grade A being the best grading):

	Grade A	Grade B	Grade C
Length of customer relationship	Not less than two years	Less than two years (may include new customers)	New customers
Credit record	Good, with no record of material delay in payments	Good, with no record of material delay in payments	Good, with no record of material delay in payments
Expected annual sales (with reference to historical records, if applicable)	More than US\$1 million	Not less than US\$200,000 but not more than US\$1 million	Less than US\$200,000
Timing for placing orders for DRAM chips or major components from suppliers and whether deposit is required	Placing purchase orders before formal orders are received are acceptable; No deposit is required	If formal orders are received before placing purchase orders, no deposit is required; If formal orders are not yet received before placing purchase orders, at least 20% of sales must be paid by customer as deposit	Can only place purchase orders after formal orders are received.
Payment term	7 to 30 days	7 to 30 days	Full payment must be received before or at delivery of goods
Remarks	If any informal order placed has been subsequently cancelled and resulted in any losses and no compensation agreement has been entered into with us to compensate our loss to our satisfaction, the relevant customer will be downgraded. Discrepancy between the actual orders made and the forecast of expected orders previously provided or made by customer will also be taken into account. During the Track Record Period, no customer has been downgraded.		N/A

As at 31 March 2013, we have a total of 297 customers, among which approximately 5.1%, 16.5% and 78.5% of the customers were categorized as our Grade A, Grade B and Grade C customers, respectively. As at 31 March 2013, the sales revenue attributable to our Grade A, Grade B and Grade C customers were approximately 68.8%, 14.0% and 16.8% of the total sales for the year ended 31 March 2013.

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- credit report needs to be obtained from professional search agent for any new customers (customer who place order for the first time) and new customers should fall in Grade B or Grade C
- for non-branded product business, we shall only procure raw materials after formal orders are received
- close monitor on raw material consumption in the production plant, inventory aging is prepared and submitted to head office for review and conduct stock count monthly
- if the prices of DRAM chips or NAND flash is expected to be in an decreasing trend for the coming half year, sales persons should be alerted to promote the selling of those stock which may become obsolete at discount if appropriate

Our Directors consider that our internal control measures are adequate and effective under Rule 6A.15(5) of the GEM Listing Rules. Based on its due diligence conducted, review of the internal control report prepared by our internal control consultant and having considered the above internal control measures of our Group, the Sponsor is of the view that our internal control measures are adequate and effective having regard to the obligations of our Company and our Directors and the GEM Listing Rules and other relevant legal and regulatory requirements and which are sufficient to enable our Directors to make a proper assessment of our financial position and prospects under Rule 6A.15(5) of the GEM Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

There had been no interruptions in our business that may have had a significant effect on our financial position during the Track Record Period.

PROPERTY

Properties owned and occupied in Hong Kong

We own properties in Hong Kong for administrative, storage and after-sale service purposes. As at the Latest Practicable Date, the properties comprised seven units with a total gross floor area of approximately 875.14 sq. m. located in Kowloon Bay, Hong Kong. We also own four car parking spaces.

Leased properties in the PRC

We leased the Shenzhen Factory from an Independent Third Party which would expire on 31 December 2016. As at the Latest Practicable Date, the properties comprised two floors of factory buildings with a total gross floor area of approximately 2,842.04 sq.m.. We also leased 13 units of dormitory with a total gross floor area of approximately 505.76 sq. m. for our Shenzhen employees.

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As at the Latest Practicable Date, we were not aware of any challenge being made by any third party on the titles of any of the above properties which might affect our current occupation. For further details in relation to the properties we occupy, please see the section headed “Property Valuation” in Appendix III to this prospectus.

INSURANCE

We maintain insurance policies to protect our Shenzhen Factory and Hong Kong office against a range of contingencies, including, among others, loss and theft of, and damage to, property, plant and equipment, and inventory in all of our production facilities and warehouses, and the social insurances required under PRC law.

We also maintain insurance coverage for product liability to cover any potential claims due to accidental bodily injury to third parties and accidental loss of or damage to the property of third parties arising from defects of its products produced.

For the two years ended 31 March 2013, the total amount of premium paid were approximately HK\$0.2 million and HK\$0.4 million, respectively. During the Track Record Period and as at the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claims and/or product liability claims.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE, STRATEGIES AND IMPLEMENTATION PLAN

We will strategically work on enhancing our market position in the third-party DRAM module market and increase our market share worldwide with focus in the PRC. We intend to implement the following strategies to capitalise on our strengths so as to enhance our business prospects and profitability:

1. To increase our market share in the third-party DRAM module industry in the PRC and worldwide

We plan to increase our market share in the third-party DRAM module industry by enhancing our sales force, increasing our market penetration in existing markets, expanding our customer base, exploring new markets and increasing recognition of our GoldenMars brand name in the PRC and worldwide. We believe in the importance of adopting effective marketing strategies as a means of increasing the market awareness and recognition of our GoldenMars brand so as to increase the market share and to secure sustainable growth in the long-run.

Building our own brand would enable us to retain existing customers and attract new customers and ultimately increase our sales and profitability in the long run. Our Directors believe that leveraging on our becoming a listed corporation in Hong Kong, our corporate image would be enhanced and potential customers would have more confidence in our products and services. The ultimate aim of our branding strategy is to first enhance our position in the third-party DRAM module industry and to advance public recognition of our branded products and progressively in other countries.

We plan to achieve the above, through, amongst others, the following avenues:

- expand our sales and marketing team to focus on the soliciting of new customers, in particular top tier computer manufacturers in the PRC by leveraging on our listing status and wholesalers who target at “do-it-yourself” computer assembling market in different parts of China. We would actively contact top tier computer manufacturers located in the PRC directly or by referrals through business network of our Directors and arrange meetings to promote our company, brand and products;
- continue to participate in electronic and computer products exhibitions around the world to maintain market presence and to introduce our products and brands to potential customers;
- improve our Group’s website to include more information to introduce our Group, our brand and products; and
- enhance market exposure and visibility by placing advertisements in computer publications as well as websites which wholesalers and suppliers of DRAM products frequently visit such as DRAM Exchange websites in different jurisdictions with the aim of targeting wholesalers and distributors of DRAM products.

FUTURE PLANS AND USE OF PROCEEDS

2. Strengthen our R&D and design capability

According to iSuppli Corporation, it is expected that DDR3 should remain dominant in the market through 2014 and it further forecasts that DDR4 will become major form factor in 2015. Also according to the iSuppli Corporation, profits decline among module manufacturers, and module manufacturers are diversifying their products into other markets that yield greater profits or more stability. SSDs are still relatively nascent in the business cycle, conceptually similar to produce as DRAM modules, and command higher profit margins. We have produced SSDs in small volume and are able to offer the product to prepare ourselves to receive SSD orders when it becomes popular. Although we have not yet started promoting SSD to our customers actively and do not know our customers' response to the product yet, we believe these products would complement our product portfolio to cater for future needs.

We plan to apply more resources on R&D and design for the following with the aim of strengthening our R&D and design capability:

- conduct researches on the latest technologies with focus on developing new and improving existing products, such as DDR4 and SSD (solid-state drives, a product which is to replace the traditional hard disks in the coming years for its light weight, durability and high speed as to the best of our Directors' information and belief);
- purchase software and equipments for R&D purpose. These software includes DRAM testing software, USB related software, SSD performance testing software and software which can enhance product design capability and product management; and
- employ more qualified hardware and software engineers through online recruiting, headhunting and recruitment centres in the PRC. We require at least university graduates majoring in computer engineering with relevant experience in software design and/or hardware design as appropriate including engineers for products focusing on DDR4 and SSD.

3. To enhance our quality control and our production capability

As DRAM modules are components of various computer products, the quality, stability and compatibility of our products are key factors to retain customers and attract new customers.

In light of the importance of the quality control of our products, we will invest in purchasing of new testing machines and equipments as well as related software and hardware to further enhance our quality control and production capability. We plan to apply part of the proceeds from the Placing for such purpose.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION SCHEDULE

In light of the business objective and future plans of our Group, we will seek to attain the milestones below from the Latest Practicable Date to 31 March 2016. Investors should note that the milestones and their scheduled time for attainment are formulated on the bases and assumptions referred to in the sub-section headed “Bases and Assumptions” below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Whilst the growth of the third-party DRAM module market fluctuates, our Directors will use their best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans:

FUTURE PLANS AND USE OF PROCEEDS

For the Latest Practicable Date to 30 September 2013

Increase market share	Strengthen R&D and design capability	Enhance quality control and improve production capability
<ul style="list-style-type: none"> • expand our sales and marketing team to focus on soliciting of new customers (to this end, two personnel will be recruited for sales and two personnel will be recruited for marketing, all to be located in our Hong Kong office) • continue to participate in electronic and computer products exhibitions • improve our Group's website • engage in marketing and advertising 	<ul style="list-style-type: none"> • conduct researches on the latest technologies with focus on developing and improving mainly DRAM modules and USB flash drives • purchase of hardware for PCB correction for DRAM modules (1 set), flash control testing equipment (20 units), hardware for development of USB flash drives (5 sets), hardware and software for testing USB flash drives (1 set for each), and ancillary software for USB flash drives (1 set) • employ one PCB designer, one software engineer and one software testing engineer (mainly for DRAM modules and USB flash drive products) 	<ul style="list-style-type: none"> • purchase of quality control, testing and other ancillary machines (HK\$150,000) • purchase of various DRAM module testing software (60 sets)

Percentages of the net proceeds to be invested or applied

1.8%

3.0%

1.5%

Total amount to be utilized

Approximately HK\$1.3 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 October 2013 to 31 March 2014

Increase market share	Strengthen R&D and design capability	Enhance quality control and improve production capability
<ul style="list-style-type: none"> • employ sales and marketing personnel mentioned above, and one more will be recruited for marketing in the second quarter • continue to participate in electronic and computer products exhibitions • improve our Group's website • engage in marketing and advertising 	<ul style="list-style-type: none"> • conduct researches on the latest technologies with focus on developing and improving new and existing products, including but not limited to DRAM modules and USB flash drives • purchase of software for PCB design (1 set), two types of software design (1 set for each), flash control testing equipment (10 units) and hardware for developing SSD (2 sets) • employ engineers mentioned above 	<ul style="list-style-type: none"> • purchase of quality control, testing and other ancillary machines (HK\$300,000) • purchase of various DRAM module testing software (60 sets) and DRAM module testing hardware (2 sets)

Percentages of the net proceeds to be invested or applied

4.9%

8.4%

2.8%

Total amount to be utilized

Approximately HK\$3.5 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 April 2014 to 30 September 2014

Increase market share	Strengthen R&D and design capability	Enhance quality control and improve production capability
<ul style="list-style-type: none"> • employ sales and marketing personnel mentioned above, and three more will be recruited for sales • continue to participate in electronic and computer products exhibitions • improve our Group's website • engage in marketing and advertising 	<ul style="list-style-type: none"> • conduct researches on the latest technologies with focus on developing and improving existing and new products, including but not limited to USB flash drives and SSD product design • purchase of hardware for PCB correction for DRAM modules (1 set), flash control testing equipment (15 units), hardware for SSD design (1 set), hardware for development USB flash drives (5 sets) and ancillary software for USB flash drives and SSD (1 set for each) • employ engineers mentioned above 	<ul style="list-style-type: none"> • purchase of quality control, testing and other ancillary machines (HK\$250,000) • purchase of various DRAM module testing software (60 sets) and DRAM module testing hardware (2 sets)

Percentages of the net proceeds to be invested or applied

6.4%

5.2%

2.6%

Total amount to be utilized

Approximately HK\$3.1 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 October 2014 to 31 March 2015

Increase market share	Strengthen R&D and design capability	Enhance quality control and improve production capability
<ul style="list-style-type: none">• employ sales and marketing personnel mentioned above• continue to participate in electronic and computer products exhibitions• improve our Group's website• engage in marketing and advertising	<ul style="list-style-type: none">• conduct researches on the latest technologies with focus on improving product design• purchase of hardware for PCB correction for DRAM modules (1 set), two types of software design (1 set for each), flash control testing equipment (20 units), and hardware for developing SSD (1 set)• employ engineers mentioned above, and one software engineer and one hardware engineer focusing on SSDs, one chief engineer and one product designer	<ul style="list-style-type: none">• purchase of quality control, testing and other ancillary machines (HK\$300,000)• purchase of various DRAM module testing software (60 sets) and DRAM module testing hardware (2 sets)

Percentages of the net proceeds to be invested or applied

6.9%

4.9%

2.8%

Total amount to be utilized

Approximately HK\$3.3 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 April 2015 to 30 September 2015

Increase market share	Strengthen R&D and design capability	Enhance quality control and production capability
<ul style="list-style-type: none">• continue to employ sales and marketing personnel mentioned above• continue to participate in electronic and computer products exhibition• improve our Group's website• engage in marketing and advertising	<ul style="list-style-type: none">• conduct researches on the latest technologies with focus on improving product design• purchase of flash control testing equipment (15 units), hardware for developing USB flash drives (5 sets), hardware for developing SSD (1 set), and two types of hardware for flash product testing (1 set for each)• employ engineers mentioned above	<ul style="list-style-type: none">• purchase of quality control, testing and other ancillary machines (HK\$250,000)• purchase of various DRAM module testing software (60 sets) and DRAM module testing hardware (2 sets)

Percentages of the net proceeds to be invested or applied

6.9%

9.9%

2.5%

Total amount to be utilized

Approximately HK\$4.4 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 October 2015 to 31 March 2016

Increase market share	Strengthen R&D and design capability	Enhance quality control and production capability
<ul style="list-style-type: none"> • continue to employ sales and marketing personnel mentioned above and one more will be recruited for marketing and three more will be recruited for sales • continue to participate in electronic and computer products exhibition • improve our Group's website • engage in marketing and advertising 	<ul style="list-style-type: none"> • conduct researches on the latest technologies with focus on improving product design • purchase of software for structural design (1 set) flash control testing equipment (20 units), hardware for developing USB flash drives (5 sets), hardware for testing electrostatics (1 set) and software for flash product signal testing (1 set) • employ engineers mentioned above and one mechanical design engineer 	<ul style="list-style-type: none"> • purchase of quality control, testing and other ancillary machines (HK\$300,000) • purchase of various DRAM module testing software (60 sets) and DRAM module testing hardware (2 sets)

Percentages of the net proceeds to be invested or applied

9.6%

7.1%

2.8%

Total amount to be utilized

Approximately HK\$4.4 million

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, the PRC and any other place in which any member of our Group carries on or will carry on business;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation in Hong Kong, the PRC or any other place in which any member of our Group operates or will operate or is incorporated;
- there will be no material change in the DRAM industry;
- we will be able to retain our key staff in our management team as well as our professional staff;
- we will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus;
- we will be able to continue our operation in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out its development plans without disruptions.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will enhance our capital base and provide us with additional working capital to implement the future plans set out in the paragraph headed “Business Objective, Strategies and Implementation Plan” above.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Assuming a Placing Price of HK\$0.8 per Share, being the mid-point of the proposed Placing Price range of HK\$0.7 to HK\$0.9 per Share (assuming the Offer Size Adjustment Option is not exercised), the net proceeds from the Placing are estimated to be approximately HK\$20.0 million, after deducting related expenses. Such net proceeds are intended to be used as follows:

- approximately HK\$7.3 million (representing approximately 36.5% of the net proceeds) will be used for increasing our market share, through, among others, expanding our sales and marketing team, participating in exhibitions worldwide, placing advertisements in electronic and computer product websites.
- approximately HK\$7.7 million (representing approximately 38.5% of the net proceeds) will be used for strengthening our R&D and design capability, through including but not limited to, conducting researches on the latest technologies with focus on developing new and improving existing products (including but not limited to solid-state drives) and employing more qualified hardware and software engineers as well as product designers;
- approximately HK\$3.0 million (representing approximately 15.0% of the net proceeds) will be used for purchasing of new machineries, such as quality control and testing machines, with an aim to enhance our quality control and production capability; and
- the remaining balance of approximately HK\$2.0 million (representing 10.0% of the net proceeds) will be used for additional working capital and other general corporate purposes.

We will finance our remaining business plans as scheduled up to 31 March 2016 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds from the issue of the Placing Shares (assuming the Offer Size Adjustment Allotment is not exercised) of about HK\$20.0 million and our internal resources will be sufficient to finance our business plans as scheduled up to each of the two years ending 31 March 2015 and 31 March 2016.

In the event that the Placing Price is set at the high-end and the low-end of the proposed Placing Price range (assuming the Offer Size Adjustment Allotment is not exercised), we will receive net proceeds of approximately HK\$26.1 million and HK\$14.4 million, after deducting related expenses, respectively. We will use the new proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the upper end or lower end of the proposed Placing Price.

If the Offer Size Adjustment Option is exercised in full, the Directors estimate that the additional net proceeds from the Placing of these additional Shares will be approximately HK\$6.9 million after deducting all the related expenses and assuming a Placing Price of HK\$0.8 per Share, being the midpoint of the indicative Placing Price range. The additional proceeds received from the exercise of the Offer Size Adjustment Option will be allocated in accordance with the above allocations on a pro rata basis.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Placing (but without taking into account the Shares to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or granted under the Offer Size Adjustment option), Forever Star will control more than 30% of the issued share capital of the Company. For the purpose of the GEM Listing Rules, Forever Star, Mr. George Lu and Ms. Shen Wei are Controlling Shareholders of the Company. Each of Forever Star, Mr. George Lu and Ms. Shen Wei confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our Group's business.

1. Non-Competition

None of our Controlling Shareholders or our executive Directors has any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of our Controlling Shareholders and executive Directors has given a non-competition undertaking in favour of our Group. For details, please refer to the paragraph "Non-Competition Undertakings" of this section below.

Ms. Shen Wei, our Controlling Shareholder and an executive Director, has been holding 100% interest in Luwei Inc. (formerly known as Goldenmars Inc. and Goldenmars Technology Inc.), a company incorporated in the US in 1997 and overseen by both Ms. Shen Wei and Mr. George Lu. Luwei Inc. used to be primarily engaged in trading of DRAM modules. Ms. Shen Wei and Mr. George Lu decided to cease the business operation of Luwei Inc. was after they set up the DRAM business in Hong Kong and the PRC. The business operation of Luwei Inc. gradually reduced and it ceased to have any business operation by the end of 2008. We would mainly focus on expanding our business in the PRC (including Hong Kong) in the coming years. Although we would continue to sell our products to the United States, it is not necessary and not cost effective to operate our business through a US subsidiary and we do not plan to expend any resources to manage a subsidiary in the US. The Directors hence consider it appropriate not to include Luwei Inc. within our Group. Given it is difficult to build up a credit profile for a US company which is beneficial for operating a business in US generally, Ms. Shen Wei and Mr. George Lu intend to maintain the legal existence of the company for future personal business which do not relate to business conducted by or ancillary to the Group. As at the Latest Practicable Date, Luwei Inc. had no business operation. Each of Ms. Shen Wei and Mr. George Lu has given a non-competition undertaking in favour of the Group.

2. Management Independence

The daily operation of our Group is managed by our executive Directors and the senior management of our Group.

Despite the fact that certain Controlling Shareholders, namely Mr. George Lu and Ms. Shen Wei, are also our executive Directors, our Directors are of the view that the following control mechanism could enable our Directors to discharge their duties appropriately, minimize or, if possible, avoid potential conflicts of interest and safeguard the interests of the Shareholders as a whole:

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(a) *Composition of the Board*

The Board comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions and are appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

(b) *Participation in general meetings and voting therein*

The Articles of Association do not impose any restriction on the Shareholders to attend general meetings of our Company nor to vote on any resolution proposed therein. Should there be any potential conflict of interest arising out of any transaction to be entered into by our Group, the interested Director(s) shall, as required under the GEM Listing Rules, abstain from voting at the relevant board meeting of our Company in respect of such transaction and shall not be counted as quorum. Besides, our Company shall comply with Chapter 20 of the GEM Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval so as to ensure that the best interests of our Company are being served.

Having considered the above factors, our Directors are satisfied that the management team of our Group is able to perform its stewardship role in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders.

3. Operational Independence

Our Directors are of the view that our Group does not experience any significant interference exerted by our Controlling Shareholders, nor is there any conflict of interest between our Company and our Controlling Shareholders in the formulation and implementation of the business development strategies. Our Group has also adopted internal controls to facilitate the effective operations of its business. Although during the Track Record Period, there have been certain transactions between our Group and its related parties, details of which are set out in Note 29 to the Accountant's Report in Appendix I, our Directors confirmed that these related party transactions were conducted in the ordinary course of business of our Group and they will cease entirely before the Listing.

4. Financial Independence

Our Company has established an independent finance and accounting department and has maintained separate accounting system. Each member of our Group has undergone and will continue to undergo an independent audit for financial statements as required under law.

Our Directors confirm that as at the Latest Practicable Date, all financial assistance, including amounts due to or from, and loans provided by or to our Controlling Shareholders, were repaid otherwise settled in full. The personal guarantees for our facilities provided by our Controlling Shareholders will be released upon Listing. In the circumstances, our Group believes that our Company is capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As a result, our Directors are of the view that our Group is capable of carrying on its business(es) independently of, and does not place undue reliance on, our Controlling Shareholders or their respective associates.

5. Corporate Governance

The Board consists of three independent non-executive Directors to ensure that the Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to the Shareholders. Our Group will ensure that the independent non-executive Directors are of sufficient calibre, knowledge and experience, have no prior connections or relationship with our Group or its connected persons and will carry weight in our Group's decision-making process.

Our Company will adopt the following measures upon the Listing to manage any conflict of interests arising from the competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders (including the minority Shareholders' interests):

- (i) we will disclose the decisions of independent non-executive Directors with basis to pursue or decline any business opportunities in our annual report, interim report and announcements as appropriate;
- (ii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;
- (iii) our Controlling Shareholders shall provide all information requested by our Company (which is necessary for the annual review) by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company; and
- (v) our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company.

6. Non-Competition Undertakings

Each of our Controlling Shareholders and executive Directors has entered into the Deed of Non-Competition dated 26 June 2012 in favour of the Company, each of which has been superseded by the ones executed on 21 August 2013 by the same parties pursuant to which they have undertaken, among others, subject to the exceptions mentioned below, that:-

- (a) Each of them shall not and shall procure (other than our Group) that during the Restricted Term, neither they nor their associates and/or companies directly or indirectly managed or controlled by them and/or within their control and their respective subsidiaries (other than our Group) (the "**Controlled Companies**") will directly or indirectly be interested

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

in, or engaged in any form of business, including but not limited to joint-venture, alliance, cooperation, partnership, which competes or is likely to compete directly or indirectly with our Group's business as set out in this prospectus, and in any other area in which our Group carries on business (the "**Restricted Activity**") nor provide support in any form to persons other than our Group to engage in business that constitutes or may constitute direct or indirect competition with the businesses that our Group is currently and from time to time carrying on; and

- (b) Each of them shall not and shall procure that their respective associates and/or their controlled companies shall not directly/indirectly induce, intervene, employ or attempt to induce any customers, clients, or employees of our Group or anyone habitually conducting sales and purchases with our Group within the 12 months previous to the Restricted Term or cause any such parties to distance themselves from our Group or to compete with our Group; and
- (c) Each of them shall not and shall procure that their respective associates and their controlled companies shall not use any name or mode of operation of our Group or represent itself as using or continue using the name or mode of operation of our Group or that it is in any way connected with any member of our Group or its business during the Restricted Term; and
- (d) In the event each of our Controlling Shareholders or executive Directors or any of their respective associates (other than our Group) were given or were proffered knowledge about any business opportunities that is involved or may involve direct or indirect competition with the Restricted Activity (the "**Competing Business Opportunity(ies)**"), each of our Controlling Shareholders or executive Directors (i) shall notify our Company immediately and shall refer the said Competing Business Opportunity to our Group, as well as providing the necessary information about the Competing Business Opportunities to our Company and assisting our Group to obtain such business opportunity on the same terms; and (ii) shall not, and shall procure that their respective associates and their Controlled Companies shall not invest or participate in the Competing Business Opportunities, unless such Competing Business Opportunities have been vetoed by our Company and each of our Controlling Shareholders or executive Directors or their respective associates or their Controlled Companies cannot invest or participate in the Competing Business Opportunities on terms that are more advantageous to those offered to our Company.

Our Directors consider that the terms of the non-competition undertaking are fair and reasonable as far as our Company and our Shareholders are concerned.

The aforesaid undertakings do not apply in respect of the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognized stock exchange and:

- (a) Our Company do not control the board of directors of that company or hold such securities in that company as entitling our Company to exercise 5% or more of the voting power at the shareholders' meeting of that relevant company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) The total number of the shares held by our Controlling Shareholders and/or their associates does not amount to more than 10% of the issued shares of the relevant company; and
- (c) Our Controlling Shareholders and/or their associates are not entitled to appoint a majority of the directors or management of that company.

The non-competition undertaking and the rights and obligations thereunder are subject to and conditional upon the Placing becoming unconditional.

The obligations of the respective Controlling Shareholders and executive Directors under the non-competition undertaking will remain in effect from the date of execution of the non-competition undertaking and upon all the conditions for the Placing being fulfilled until:

- (a) The date upon which the Shares cease to be listed on the Stock Exchange; or
- (b) The date upon which the respective Controlling Shareholders or executive Directors and their associates cease to own 10% or more of the then issued share capital of our Company directly or indirectly; or
- (c) The date upon which the respective executive Directors cease to be the executive Directors of our Company

whichever first occurs unless the non-competition undertaking has been terminated on a day prior pursuant to its governing law. The term for which the non-competition undertaking shall remain in effect (shall be referred to as “**Restricted Term**”).

Each of the relevant Controlling Shareholders and executive Directors undertakes to our Company that he/she/it will, during the term of the non-competition undertaking, indemnify and keep indemnified our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/her/its undertakings under the non-competition undertaking.

None of our Controlling Shareholders and their respective associates currently has any interest in any business that competes or is likely to compete with our Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Placing (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or granted under the Offer Size Adjustment option), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company's subsidiaries:

Name	Company/ Name of Associated Corporation	Nature of interest	Number of shares held	Approximate percentage of issued Shares immediately after the Placing ⁽¹⁾
Forever Star Capital Limited	Our Company	Beneficial interest	179,640,000	74.85
Mr. George Lu	Our Company	Interest in controlled corporation (<i>Note 1</i>)	179,640,000	74.85
Ms. Shen Wei	Our Company	Interest in controlled corporation (<i>Note 1</i>)	179,640,000	74.85

- (1) Each of Mr. George Lu and Ms. Shen Wei holds 50% interest in Forever Star Capital Limited respectively. Therefore, both of them are deemed to be interested in all the Shares which are beneficially owned by Forever Star Capital Limited.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Placing and taking no account of any Shares which may be allotted and issued or transferred pursuant to the exercise of any options that may be granted under the Share Option Scheme or granted under the Offer Size Adjustment option, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

None of the business or interest of the Directors or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates competes or may compete with the business of the Group nor has any other conflicts of interests which any such person has or may have with the Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Group Position	Appointment Date of Directorship	Principal Role and Responsibility
Mr. George Lu	50	Executive Director and Chairman	23 February 2011	Formulating and monitoring the Group's overall strategic plan and development and is a member of the Nomination Committee
Ms. Shen Wei	49	Executive Director	23 February 2011	Overseeing the Group's corporate management and general administration
Ms. Lau Wing Sze	37	Executive Director and chief executive officer	26 June 2012	Overseeing the Group's sales and marketing aspects and a member of the Corporate Governance Committee
Mr. Loo Hong Shing, Vincent	47	Independent Non-Executive Director	26 June 2012	The chairman of the Remuneration Committee and a member of the Audit and Nomination Committees
Mr. Pang Chung Fai Benny	40	Independent Non-Executive Director	26 June 2012	The chairman of the Nomination Committee and a member of the Audit and Remuneration Committees
Mr. Wan Tak Shing	48	Independent Non-Executive Director	26 June 2012	The chairman of the Audit Committee and a member of the Remuneration Committee

Executive Directors

Mr. George LU (陸建明), aged 50, our founder and was appointed as our Director on 23 February 2011 and as our chairman on 26 June 2012. He is also a director of Great Success, Goldenmars HK, Top Harvest and Golden Profit. Mr. Lu was appointed as a director of Goldenmars HK in June 2006 and has been responsible for the overall management, operations and strategic development of our Group's business. He has over ten years of experience in the DRAM module industry. Prior to joining our Group, he was the president of Luwei Inc. which was engaged in the business of trading in DRAM

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

modules and was responsible for strategic planning and general management of the company, during the period from February 1999 to December 2007. Luwei Inc. was set up by Ms. Shen Wei to engage in DRAM module trading business when Mr. Lu and Ms. Shen Wei were introduced to such business through their acquaintances in the US in late 1990s. On foreseeing that the market in Asia and in Hong Kong would prove to be more lucrative with greater prospect for expansion, he moved back to Asia in 2004 and started up Goldenmars HK in 2005. Mr. Lu is also a member of Nomination Committee.

Mr. Lu is the spouse of Ms. Shen Wei, an executive Director and a Controlling Shareholder of the Company, and is also the elder brother of Ms. Lu Qinzhen, a senior management of our Group.

Mr. Lu does not currently hold and has not held any directorship in any other listed companies in the past three years.

Ms. SHEN Wei (沈薇), aged 49, was appointed as our Director on 23 February 2011. Ms. Shen is also a founder of Group and a director of a number of our subsidiaries including Goldenmars HK, Boda International, Bodatong Shenzhen, Great Success, Treasure Fantasy, Top Harvest and Golden Profit, the legal representative of and the general manager of Bodatong Shenzhen. Ms. Shen was appointed as a director of Boda International in April 2007 and has been responsible for the financial and administrative management of the Group. Ms. Shen has acquired over ten years of experience in general administration management of DRAM module business. Prior to joining our Group, she has been a director of Luwei Inc. since February 1997 to December 2009 and was responsible for the general administrative management and day to day operation of the company. Ms. Shen studied Pharmacology at the China Pharmaceutical University and graduated with a Bachelor of Science degree in 1987. Ms. Shen also obtained a Master of Science degree in Toxicology from the University of New Mexico in 1991 and worked as a postgraduate researcher in the School of Pharmacy, Department of Pharmacy of the University of California, San Francisco from 1991 to 1994.

Ms. Shen is the spouse of Mr. Lu, an executive Director and the Chairman of our Company and the sister-in-law of Ms. Lu Qinzhen, a senior management of our Group.

Ms. Shen does not currently hold and has not held any directorship in any other listed companies in the past three years.

Ms. LAU Wing Sze (劉詠詩), aged 37, was appointed as an executive Director and chief executive officer on 26 June 2012 and is responsible for procurement and inventory control of our Group. Ms. Lau is also a director of Treasure Fantasy. Ms. Lau joined Goldenmars HK as general manager in 2005. Ms. Lau has more than five years of experience in management of DRAM module business. Prior to joining our Group, Ms. Lau was employed by Unigate Corporation (H.K.) Limited for more than three years as a senior secretary, sales assistant and sales representative. Ms. Lau graduated with a Higher Diploma in Business Studies from the City University of Hong Kong in 1998. Ms. Lau also obtained a Master of Business Administration which is a long distance course from the University of Bradford. Ms. Lau is also a member of the Corporate Governance Committee.

Ms. Lau does not currently hold and has not held any directorship in any other listed companies in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-Executive Directors

Mr. Loo Hong Shing Vincent (盧康成), aged 47, was appointed as an independent non-executive Director on 26 June 2012. Mr. Loo has over 25 years of experience in the accounting, auditing, corporate finance and business advisory areas. Prior to joining our Group, Mr. Loo has over 16 years of auditing experience with Messrs. PricewaterhouseCoopers (previously Messrs. Coopers & Lybrand before it merged with Messrs. Price Waterhouse in 1998) in Hong Kong. Mr. Loo joined Hengan International Group Company Limited (Stock Code: 1044), a company listed on the Main Board of the Stock Exchange, in 2004 as the chief financial controller and was appointed as its executive director in 2005. Mr. Loo graduated from the Hong Kong Polytechnic University with a Professional Diploma in Accountancy in 1988 and has been a member of the Hong Kong Institute of Certified Public Accountants (previously known as the Hong Kong Society of Accountants) since 1992 and a fellow member of the Association of Chartered Certified Accountants since 1996. Mr. Loo Hong Shing Vincent is currently involved in the financial management and compliance aspects of the Company. He is also the chairman of the Remuneration Committee.

Save as disclosed above, Mr. Loo does not currently hold and has not held any directorship in any other listed companies in the past three years.

Mr. Pang Chung Fai Benny (彭中輝), aged 40, was appointed as an independent non-executive Director on 26 June 2012. Mr. Pang has over 14 years of experience in the legal industry in Australia and in Hong Kong. Mr. Pang is currently the managing partner of Messrs. Pang & Co. Prior to his current placement with Messrs. Pang & Co. Mr. Pang worked as an associate in the Hong Kong office of Messrs. Sidley Austin (previously known as Sidley Austin Brown & Wood) specializing in corporate finance, corporate/commercial and compliance and regulatory areas since 2000. In 2004, Mr. Pang joined the Hong Kong office of Messrs. Paul, Hastings, Janofsky & Walker as an associate focusing on corporate finance and corporate governance work. Mr. Pang retired from Messrs. Paul, Hastings, Janofsky & Walker as partner in 2009. Mr. Pang graduated with a Bachelor of Laws degree from the Bond University, Australia, in 1996 and with a Master of Laws degree from the University of New South Wales, Australia, in 1997. Mr. Pang has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997. Mr. Pang was admitted as a solicitor of the High Court of Hong Kong since 2009. Mr. Pang is a member of both the Law Society of New South Wales and the Law Society of Hong Kong. Mr. Pang is also the chairman of the Nomination Committee.

Mr. Pang has been appointed as an independent non-executive director of Yuanda China Holdings Limited (Stock Code: 2789), a company listed on the Main Board of the Stock Exchange, since 2011. Mr. Pang has also been appointed as an independent non-executive director of China Bio-Med Regeneration Technology Limited (GEM Stock Code: 8158), a company listed on GEM, since 2012. Save as disclosed above, Mr. Pang does not currently hold and has not held any directorship in any other listed companies in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wan Tak Shing (溫德勝), aged 48, was appointed as an independent non-executive Director on 26 June 2012. Mr. Wan has over 18 years of experience in the audit profession. Mr. Wan joined the Hong Kong office of Messrs. PKF which is a member of PKF International in 2001 and became a partner in 2006. Prior to his current placement with Messrs. PKF, Mr. Wan worked in Messrs. Ernst & Young Hong Kong as manager from 1997 to 2001. Mr. Wan graduated with a Bachelor of Economics degree from the Macquarie University in 1994. Mr. Wan is a practising member of the Hong Kong Institute of Certified Public Accountant (previously known as the Hong Kong Society of Accountants) and a member of the Certified Practising Accountant Australia since 1996. Mr. Wan Tak Shing is also the chairman of the Audit Committee.

Mr. Wan does not currently hold and has not held any directorship in any other listed companies in the past three years.

Please refer to the sub-section headed “Further Information about our Directors, Management, Staff and Substantial Shareholders – 1. Directors – (b) Particulars of service agreements/letters of appointment” in Appendix V to this prospectus for the information on our Directors’ service agreements and letters of appointment.

As at the Latest Practicable Date, save as disclosed in the sub-section headed “Further Information about our Directors, Management, Staff and Substantial Shareholders” in Appendix V to this prospectus, our Directors did not have any interest or short positions in the Shares or the underlying Shares in our Company within the meaning of Part XV Of the SFO.

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules and there are no other matters relating to the appointment of the Directors that needs to be brought to the attention of our Shareholders.

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee pursuant to a resolution of the Directors passed on 26 June 2012 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the “**Corporate Governance Code**”) has been adopted. Amongst other things, the primary duties of the Audit Committee are to make recommendations to our Board on appointment, reappointment and removal of external auditor, review financial statements of our Company and provide judgments in respect of financial reporting; and oversee the internal control procedures of our Company.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Loo Hong Shing Vincent, Mr. Pang Chung Fai Benny and Mr. Wan Tak Shing. Mr. Wan Tak Shing is the chairman of the Audit Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

Our Company has established a Nomination Committee on 26 June 2012 pursuant to a resolution in compliance with paragraph A.5.1 of the Corporate Governance Code with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of two independent non-executive Directors, namely Mr. Loo Hong Shing Vincent and Mr. Pang Chung Fai Benny, and one executive director, Mr. George Lu. Mr. Pang Chung Fai Benny is the chairman of the Nomination Committee.

Remuneration Committee

Our Company has established a Remuneration Committee on 26 June 2012 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, and ensure that none of our Directors determines their own remuneration. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Loo Hong Shing Vincent, Mr. Pang Chung Fai Benny and Mr. Wan Tak Shing. Mr. Loo Hong Shing Vincent is the chairman of the Remuneration Committee.

Corporate Governance Committee

Our Company has established a Corporate Governance Committee on 31 July 2012 pursuant to a resolution with written terms of reference in compliance with paragraph D.3.1 of the Corporate Governance Code. The primary duties of the Corporate Governance Committee are to develop and review our Company's policies and practices on corporate governance, to review and monitor the training of directors and senior management, to review our Company's compliance with its corporate governance code and to develop proper safeguards and measures to prevent a breach of any disclosure requirement in relation to our Company pursuant to Part XIVA of the SFO and Chapter 17 of the GEM Listing Rules. The Corporate Governance Committee consists of three members, being Mr. Lo Kam Hon Gary, Ms Lau Wing Sze (an executive Directors) and Ms Lu Qinzhen (陸芹珍). Mr. Lo Kam Hon Gary, is the chairman of the Corporate Governance Committee.

Our Company will ensure compliance of all the amendments to the Corporate Governance Code adopted with effect from 1 January 2012.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE OFFICER

Mr. George Lu is the compliance officer of our Company.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of our Group other than our executive Directors:

Name	Age	Group Position
Mr. Lo Kam Hon Gary (勞錦漢)	49	Chief Financial Officer and Company Secretary of the Company and Chief Financial Officer of Goldenmars HK
Ms. Lu Qinzhen (陸芹珍)	43	Finance Manager and Vice-Chairman of the board of directors of Bodatong Shenzhen
Mr. Li Guotao (李國濤)	35	Deputy General Manager of Bodatong Shenzhen
Mr. Liang Zhiyuan (梁智淵)	32	General Manager of the Research & Development Division of Bodatong Shenzhen

Mr. LO Kam Hon Gary (勞錦漢), aged 49, joined our Group in March 2012. He is the chief financial officer of our Company and Goldenmars HK. Mr. Lo is also the company secretary of our Company. He is responsible for the cash flow management, financial reporting, financial planning and risk management of the Group as well as the overall secretarial matters of our Company. Mr. Lo has over 15 years of experience in the accounting, auditing, tax planning and corporate finance areas. Currently Mr. Lo is also an executive director of Global Link Communications Holdings Limited (Stock Code: 8060), a company listed on GEM. Mr. Lo works for our Group on a full-time basis. His current directorship in Global Link Communications Holdings Limited in no way competes with the Group. The Group and Global Link Communications Holdings Limited and their respective substantial shareholders, directors, senior management members and associates are totally independent of each other and have no past or present relationship with each other at all. Mr. Lo is also the chairman of the Corporate Governance Committee.

Prior to joining our Group, Mr. Lo joined Messrs. PricewaterhouseCoopers (previously Messrs. Coopers & Lybrand before it merged with Messrs. Price Waterhouse in 1998) from 1991 to 1996. Mr. Lo joined Global Link Communications Holdings Limited in 2003 and was appointed executive director in 2004. His primary responsibilities involve dealing with regulatory authorities and investors as well as handling financial and budgetary control and tax planning.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lo obtained a Higher Diploma in Accountancy from the Lingnan University (previously known as Lingnan College) in 1987. Mr. Lo is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants).

Ms. LU Qinzhen (陸芹珍), aged 43, is the finance manager and the vice-chairman of the board of directors of Bodatong Shenzhen. Ms. Lu joined Bodatong Shenzhen in May 2007 and has been responsible for accounting and financial management of Bodatong Shenzhen. Ms. Lu graduated from Suzhou Zhonghua Correspondence School of Accounting (蘇州市中華會計函授學校) in 2003, majoring in accounting (long distances course). Ms. Lu is also a member of the Corporate Governance Committee.

Ms. Lu is the younger sister of Mr. George Lu, an executive Director and sister-in-law of Ms. Shen Wei, an executive Director. Ms. Lu does not currently hold and has not held any directorship in any other listed companies in the past three years.

Mr. LI Guotao (李國濤), aged 35, is the deputy general manager of Bodatong Shenzhen. Mr. Li joined Bodatong Shenzhen in September 2011 and has been responsible for the general management of Bodatong Shenzhen. Prior to joining our Group, he was employed as the manager for manufacturing systems and management representative at Kongtop Industrial Company Limited from 2009 to 2011. From 2008 to 2009, Mr. Li worked as the manager at the engineering department of Hongfutai Electronic Science and Technology Company Limited.

Mr. Li does not currently hold and has not held any directorship in any other listed companies in the past three years.

Mr. Liang Zhiyuan (梁智淵), aged 32, is the general manager of the research and development division of Bodatong Shenzhen. He joined Bodatong Shenzhen in May 2007 and has been primarily responsible for the research, design and development and resolving problems relating to product technology. Prior to joining our Group, Mr. Liang worked for Kinwei Technology (Shenzhen) Co., Ltd. (建威科技(深圳)有限公司) during 2004 to 2007 as an engineer responsible for designs of various products such as DRAM modules and USB flash drives. Mr. Liang graduated with a Bachelor in Control Technology and Instrument from Guilin Institute of Electronics* (桂林電子工業學院) (now known as Guilin University of Electronic Technology* (桂林電子科技大學)) in 2003.

Mr. Liang does not currently hold and has not held any directorship in any other listed companies in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

Overview of the number of employees

Our Group had 110 staff as at the Latest Practicable Date, with 14 in Hong Kong and 96 in the PRC. A breakdown of its workforce by function is as follows:

	As at the Latest Practicable Date		
	Hong Kong	PRC	Total
Administration	2	8	10
Management	4	2	6
Finance	2	3	5
Research and Development		4	4
Procurement		1	1
Production		64	64
Quality Control		3	3
Logistics	4	5	9
Sales and Marketing	2	5	7
After-Sales Services		1	1
Total	14	96	110

Relationship with employees

Since its establishment, our Group has not experienced any disruption of its business operations due to labour disputes. Our Directors consider that our Group has a good relationship with its employees.

DIRECTORS REMUNERATION

Our Directors have received remuneration in the form of fixed salaries, benefits in kind, discretionary bonus and contribution to the pension scheme made by our Group during the Track Record Period. The aggregate remuneration paid to our Directors for the two years ended 31 March 2013 were approximately HK\$1,013,000 and HK\$1,042,000 respectively. Each of the executive Directors has entered into a service agreement with our Company, further details of which are set out in the paragraph “Further Information about our Directors, Management, Staff and Substantial Shareholders” in Appendix V to this prospectus.

Compensation of Directors and Senior Management

The remuneration of each Director is determined by reference to market terms, seniority, his experience, duties and responsibilities within our Group. The Directors are entitled to statutory benefits as required by law from time to time such as pension.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Director's fee for each of the independent non-executive Directors during the three-year term is initially fixed, subject to the Board's review from time to time at its discretion after taking into account the recommendation of the Remuneration Committee of the Company.

Staff Benefits

Apart from the basic salary of the staff members of our Company, they may be entitled to a bonus based on the performance of the relevant staff members and the financial performance of the Company.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 August 2013 which, in the opinion of our Directors, will enable our Group to recruit and retain high-calibre employees and to improve employee loyalty. The principal terms of this scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

Our Company will appoint Tanrich Capital Limited as its compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance advisor will advise our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report (whether required by the GEM Listing Rules or as requested by the Stock Exchange or otherwise);
- (b) where a transaction, which might be a notifiable or connected transaction under Chapter 19 or 20 of the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of Listing in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company distributes its annual report of our Group's financial results for the second full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

SHARE CAPITAL

Without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or granted under the Offer Size Adjustment option, our Company's issued share capital immediately following the completion of the Capitalization Issue and the Placing will be as follows:

The authorized share capital of our Company is as follows:

<i>Authorized share capital</i>		<i>HK\$</i>
8,000,000,000	Shares	80,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalization Issue and the Placing:

10,000,000	Shares in issue at the date of this prospectus	100,000
170,000,000	Shares to be issued pursuant to the Capitalization Issue	1,700,000
60,000,000	Shares to be issued under the Placing (before any exercise of the Offer Size Adjustment Option)	600,000
_____		_____
Total:		
<u>240,000,000</u>	Shares	<u>2,400,000</u>

RANKING

The Placing Shares and the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distribution declared, made or paid on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. 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 this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal in the Shares with a total nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal amount of Shares in issue immediately following completion of the Capitalization Issue and the Placing (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal amount of the Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

Our Directors may, in addition to the Shares which they are authorized to issue under this mandate, allot, issue and deal in the Shares pursuant to a rights issue, scrip dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Capitalization Issue and the Placing.

The mandate will expire:

- (a) at the conclusion of our Company's next annual general meeting;
- (b) on the date by which our Company is required by any applicable Cayman Islands law or the Articles of Association to hold its next annual general meeting; or
- (c) when the authority given to our Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of the general mandate, see the paragraph headed "Written resolutions of our Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Placing (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by our Company of its own securities” in Appendix V to this prospectus.

This mandate will expire:

- (a) at the conclusion of the next annual general meeting of our Company;
- (b) on the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held; or
- (c) when the authority given to our Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of this general mandate, see the paragraph headed “Written resolutions of our Shareholders” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in the Accountant's Report, which has been prepared in accordance with HKFRS, as set out in Appendix I to this prospectus, and the unaudited pro forma financial information included in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.

TRADING RECORD

The following table is a summary of our results during the Track Record Period which has been extracted from, and should be read in conjunction with, the accountant's report set out in Appendix I to this prospectus.

		Year ended 31 March	
		2012	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<i>1</i>	461,715	511,799
Cost of sales		<u>(415,916)</u>	<u>(461,990)</u>
Gross profit		45,799	49,809
Selling expenses		(4,316)	(3,399)
General and administrative expenses		(19,123)	(19,984)
Other income	<i>2</i>	3,893	352
Gain on disposal of property, plant and equipment		<u>59,834</u>	<u>200</u>
Operating profit		86,087	26,978
Finance costs		<u>(2,583)</u>	<u>(3,087)</u>
Profit before income tax		83,504	23,891
Income tax expense		<u>(7,004)</u>	<u>(6,015)</u>
Profit for the year		<u><u>76,500</u></u>	<u><u>17,876</u></u>
Profit for the year attributable to equity holders of the Company		<u><u>76,500</u></u>	<u><u>17,876</u></u>
Profit as adjusted by the effect of gain on disposal of property, plant and equipment		<u><u>16,666</u></u>	<u><u>17,676</u></u>

FINANCIAL INFORMATION

Notes:

1. Revenue mainly represents the manufacture, sale and/or trade of DRAM modules, USB flash drives DRAM chips and NAND flash during the Track Record Period. Set out below is the breakdown of revenue for the Track Record Period:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
DRAM chips and NAND flash	156,598	311,032
DRAM modules	266,097	173,346
USB flash drives	33,634	24,719
Provision of assembly services	4,227	1,866
Others	1,159	836
	<u>461,715</u>	<u>511,799</u>
Total	461,715	511,799

2. Set out below is the breakdown of other income for the Track Record Period:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Compensation income	3,120	–
Freight income	369	101
Finance income	7	9
Exchange gain/(loss), net	397	(255)
Repair and testing income	–	395
Others	–	102
	<u>3,893</u>	<u>352</u>
Total	3,893	352

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and our financial condition have been, and we believe will continue to be, affected by a number of factors including those set out as follow:

Global and regional economic condition

Our business depends on the global economy and regional economy and market conditions, in particular, the China and Hong Kong economic condition. For the years ended 31 March 2012 and 2013, products sold to customers located in China and Hong Kong accounted for approximately 65.2% and 81.6% of our revenue respectively. On the other hand, our revenue is also affected by the penetration rate of personal computer in the PRC. Any fluctuation in the global economy, in particular the PRC, may affect the revenue and hence the profit of our Group.

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Production capacity

Our product production capacity affects our revenue and our revenue growth in the near future. As at the Latest Practicable Date, we had four all-purpose SMT production lines with an annual production capacity of approximately 2.9 million units of DRAM modules and approximately 0.9 million units of USB drives. If any of our SMT production lines experience significant downtime, our production facilities may not be able to produce sufficient products to meet the orders of our customers, resulting in a negative impact on our revenue.

Raw materials

Cost of raw materials represented the largest component of our cost of goods sold during the Track Record Period. The most important component of DRAM modules, our major product, is DRAM chip and DRAM chip is also our major trading product. The price of DRAM chip had been, in general, on an unstable trend during the Track Record Period. As we have not entered into any long term supply contract with any of our DRAM chip suppliers in order to enhance flexibility and reduce reliance on certain suppliers, any material increase in or fluctuation of the market price of DRAM chip and other components may materially affect our results.

Technology transitions

Our Group operates in a market which is characterized by industry standards, customers' requirements and preferences and in particular rapid changes in technology. Our DRAM modules can be broadly categorized according to three form factors, namely DDR1, DDR2 and DDR3, which are also currently commonly accepted by the market. Depending on progress of the development and availability of our new products, any technology transitions that require changes in form factors and designs of the DRAM modules would affect our revenue and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's financial statements have been prepared in accordance with the HKFRS. The accounting policies and critical accounting estimates and judgments are set out in notes 2 and 4 to the Accountant's Report contained in Appendix I to this prospectus. The following paragraphs discuss those that are most critical in preparing our financial statements.

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Accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Deposits received in advance from customers for goods that have not been delivered are recognised as “Receipt in advance” in the balance sheet.

Other income

Compensation and other income is recognised when the right to receive the amount is established, provided that the amount can be measured reliably. Assembly service income, freight income and repair and testing income are recognised when services are rendered.

Impairment of financial assets

We assess at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a receivables has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument's fair value using an observable market price.

Carrying amount of an impaired assets is reduced through the use of an allowance account, and the amount of loss is recognised in profit or loss, when a trade receivable is uncollectible, it is written off against the allowance amount for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

As at 31 March 2012 and 2013, outstanding impairment of trade receivables amounted to approximately HK\$0.3 million.

Accounting estimates

Current and deferred income tax

We are principally subject to income taxes both in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to temporary differences are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

Estimated impairment of inventories

The carrying value of inventory is reviewed by management at each reporting date to ensure that it is not recorded at a value higher than net realisable value. Management tests whether inventory suffered any impairment based on estimates of the net realisable value of the inventory. Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

FINANCIAL INFORMATION

We estimate the net realisable value for finished goods and raw materials based primarily on current market conditions and the historical experience of manufacturing and selling products of similar nature and make allowance if the net realisable value is lower than the cost. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Where the actual net realisable values are less than expected, an allowance may arise. We will reassess the estimations at the balance sheet date.

Estimated provision for doubtful debts

We make provision for doubtful debts based on assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

As at 31 March 2012 and 2013, the total amount of the provision for doubtful debts was approximately HK\$346,000. If the financial condition of customers of the Group were to change, resulting in an impairment of their ability to make payments, additional provisions may be required.

Useful lives and depreciation of property, plant and equipment

We determine the estimated lives for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles.

We will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an

FINANCIAL INFORMATION

appropriate rate. Changing the assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are primarily engaged in manufacturing and sales of DRAM modules and trading of DRAM chips.

According to the iSuppli Report, we ranked the twentieth in terms of our sales revenue of DRAM modules among third-party DRAM module manufacturers worldwide in 2012.

We started off as a trading company for sale and purchase of DRAM modules and DRAM chips in 2005. To expand the scale of operation and to enjoy the economy of scale, we established our production plant in Shenzhen, the PRC to manufacture DRAM modules in 2007. During the Track Record Period, our major revenue drivers include sale of self-manufactured products and trading of goods. In some circumstances, we also offer assembling services. Our key self-manufactured product is DRAM modules. To complement our product portfolio, we also manufacture and sell other e-storage devices such as USB flash drives and solid-state disks. For our trading business, we primarily sell DRAM chips, the most important component for DRAM modules. Upon request, we may also assist our customers to source and/or sell them DRAM modules bearing third parties' brands and other components. In December 2012, driven by market demand, we also started trading NAND flash in bulk, the most important component for USB flash drives, and which is also a memory widely used in smartphones, tablets and solid state disks (SSDs) in ultrabooks.

Our total revenue increased from approximately HK\$461.7 million for the year ended 31 March 2012 to approximately HK\$511.8 million for the year ended 31 March 2013. Such increase was mainly due to the increase in our revenue derived from trading business by approximately 102.3%, which was partially off-set by the decrease in our revenue from manufacturing business by approximately 37.4% for the year ended 31 March 2013 as compared to 2012. We recorded decrease in net profit attributable to equity holders of the Company from approximately HK\$76.5 million for the year ended 31 March 2012 to approximately HK\$17.9 million for the year ended 31 March 2013 despite the increase in gross profit from approximately HK\$45.8 million for the year ended 31 March 2012 to approximately HK\$49.8 million for the year ended 31 March 2013. Such decrease was mainly attributable to a gain on disposal of a property to a company owned by Ms. Shen Wei and Mr. George Lu of approximately HK\$59.8 million for the year ended 31 March 2012, while there was no such gain recorded for the year ended 31 March 2013.

FINANCIAL INFORMATION

Key financial ratios

Set out below is the summary of the key financial ratios of our Group during the Track Record Period:

	For the year ended/ As at 31 March	
	2012	2013
A. Profitability ratios:–		
1. Growth		
a. Turnover growth	N/A	10.8%
b. Net profit growth	N/A	(76.6%)
2. Profit margins		
a. Gross profit margin ¹	9.9%	9.7%
b. Net profit margin before interest & tax ²	18.6%	5.3%
c. Net profit margin ³	16.6%	3.5%
3. Return on equity		
a. Return on equity ⁴	81.7%	16.0%
b. Return on total assets ⁵	29.0%	6.2%
B. Liquidity ratios:–		
1. Liquidity ratios		
a. Current ratio ⁶	1.18	1.29
b. Quick ratio ⁷	0.76	0.80
2. Turnover ratios		
a. Stock turnover days ⁸	53.7	62.1
b. Debtors' turnover days ⁹	24.2	9.5
c. Creditors' turnover days ¹⁰	105.6	97.9
C. Capital adequacy ratios:		
1. Gearing ratio ¹¹	57.6%	40.1%
2. Net debt to equity ratio ¹²	68.9%	45.9%
3. Interest coverage ¹³	33.3	8.7
D. Adjusted profitability ratio:		
a. Adjusted profit margin ¹⁴	3.6%	3.5%

Notes:

1. Gross profit margin is calculated as the gross profit divided by the revenue of the respective years.
2. Net profit margin before interest and tax is calculated as net profit before interest and taxes divided by sales of the respective years.
3. Net profit margin is calculated as the net profit attributable to equity holders of the Company for the year divided by the revenue of the respective years.

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4. Return on equity is calculated as the net profit divided by the equity attributable to our owners as at the respective years.
5. Return on assets is calculated as the net profit divided by the total assets as at the respective years.
6. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective years.
7. Quick ratio is calculated as the current assets excluded inventories divided by the total current liabilities as the respective years.
8. Stock turnover days are calculated as the average inventories balance divided by the cost of sales of the respective years and multiplied by 365.
9. Debtors' turnover days are calculated as the average trade receivable balance divided by the turnover of the respective years and multiplied by 365.
10. Creditors' turnover days are calculated as the average trade payable and trust receipt loan balances divided by the cost of sales of the respective years and multiplied by 365.
11. Gearing ratio is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the respective years and multiplied by 100%.
12. Net debt to equity ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity as at the respective dates.
13. Interest coverage is calculated as profit before interest and taxes divided by interest expenses of the respective years.
14. Adjusted profit margin is calculated as the net profit for the year as adjusted by the gain on disposal of property, plant and equipment divided by turnover.

Profitability ratios

The increase in turnover for the year ended 31 March 2013 was mainly due to the increase in our revenue from trading business by approximately 102.3%, which was partially offset by the decrease in our revenue from manufacturing business by approximately 37.4% for the year ended 31 March 2013 as compared to 2012. The increase in our revenue from trading business was mainly because we started to trade NAND flash in bulk since December 2012, which accounted for approximately HK\$87.7 million of our total revenue or approximately 17.1% to our total revenue. The decrease in our revenue from the manufacturing business was mainly due to decrease in revenue derived from DRAM modules resulting from the weak demand of China desktop PRC market and Third Party DRAM module market in China in 2012.

We recorded a decrease in of our net profit attributable to equity holders of the Company for the year ended 31 March 2013 as compared to the previous financial year which was primarily due to the recognition of a gain on disposal of a property to a company owned by Ms. Shen Wei and Mr. George Lu, each an executive Director, amounted to approximately HK\$59.8 million for the year ended 31 March 2012, while there was no such gain recorded for the year ended 31 March 2013. The net profit margin before non-recurring items remained stable at approximately 3.6% and 3.5% for each of the two years ended 31 March 2013, respectively.

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We recorded a slightly lower gross profit margin for the year ended 31 March 2013 than those for the year ended 31 March 2012. Such decrease was mainly due to (i) the decrease in contribution of gross profit generated from our manufacturing business, and (ii) the low profit margin derived from trading in NAND flash, a memory we commenced trading in bulk since December 2012, which was partially offset by our ability to secure higher profit margin for trading in DRAM chips. For the background leading to the commencement of trading of NAND flash in bulk, please refer to the sub-section headed “Financial Information – Management Discussion and Analysis– Overview of major items of our income statements for the Track Record Period – Trading Business” in this prospectus. Our gross profit margin is generally in line with other comparable third party module manufacturers.

The decrease in our net profit margin before interest and tax, net profit margin, return on equity and return on total assets for the year ended 31 March 2013 were mainly due to the recognition of gain on disposal of a property to a company owned by Ms. Shen Wei and Mr. George Lu, each an executive Director, of approximately HK\$59.8 million for the year ended 31 March 2012 while no such gain was recorded for the year ended 31 March 2013.

Liquidity ratios

The improvement in our current ratios was mainly attributable to the increase in inventories to cater for potential customer orders and continued improvement on the results of operation of the Company for the year ended 31 March 2013.

The improvement in our quick ratio was mainly attributable to the increase in cash and cash equivalents of approximately HK\$24.9 million, which was partially offset by the decrease in trade receivables of approximately HK\$15.3 million for the year ended 31 March 2013.

The increase in our stock turnover ratio for the year ended 31 March 2013 was mainly due to the increase in inventory level to approximately HK\$86.2 million as at 31 March 2013 from approximately HK\$71.0 million as at 31 March 2012. The stock up of inventories by 31 March 2013 was mainly for catering the potential customer orders. Further details of which are set out in the paragraph headed “Financial Information – Discussion of major balance sheet components – Inventories” below.

Both of our debtors’ turnover days and creditors’ turnover days decreased for the year ended 31 March 2013 which was mainly due to decrease in the trade receivables and trade payables outweighed the increase in revenue and cost of sales respectively mainly due to strict control over our receivables and less purchase orders were made by us in March 2013. Further details of which are set out in the paragraphs headed “Discussion of major balance sheet components – Trade receivables, other receivables and prepayments” and “Discussion of major balance sheet components – Trade payables and trust receipt loans” below.

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Capital adequacy ratio

The decrease in gearing ratio was mainly due to the increase in total equity as a result of net profit recorded for the year ended 31 March 2013. The decrease in net debt to equity ratio was mainly due to the increase in cash and cash equivalents and the increase in total equity outweighed the increase in borrowings. Further details of our indebtedness are set out in the paragraph headed “Financial Information – Indebtedness” below.

The decrease in interest coverage ratio for the year ended 31 March 2013 was mainly attributable to the recognition of the gain on disposal of a property to a company owned by Ms. Shen Wei and Mr. George Lu, each an executive Director, of approximately HK\$59.8 million for the year ended 31 March 2012 while no such gain was recorded for the year ended 31 March 2013.

Adjusted profitability ratio

The adjusted profitability ratio remained stable at approximately 3.5% for the year ended 31 March 2013 as compared to approximately 3.6% for the year ended 31 March 2012.

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Overview of major items of our income statement for the Track Record Period

Revenue

The following table illustrates the breakdown of our revenue by products during the Track Record Period:

	For the year ended 31 March			
	2012	Percentage of total revenue	2013	Percentage of total revenue
	Revenue (HK\$'000)	(%)	Revenue (HK\$'000)	(%)
Self-manufactured products				
DRAM modules				
– UDIMM (Desktop series)	161,914	35.1	137,510	26.9
– SO DIMM (Laptop series)	101,898	22.0	23,843	4.6
USB flash drives and others (Note 1)	33,634	7.3	24,740	4.8
Sub-total:	297,446	64.4	186,093	36.3
Trading goods				
DRAM chips	156,598	33.9	223,288	43.6
DRAM modules	2,285	0.5	11,993	2.3
NAND flash	–	–	87,744	17.1
Others (Note 2)	1,159	0.3	815	0.3
Sub-total:	160,042	34.7	323,840	63.3
Assembling services	4,227	0.9	1,866	0.4
Total:	461,715	100.0	511,799	100.0

Notes:

- (1) Other self-manufactured products include solid-state drives and multimedia players.
- (2) Other trading goods include components of our products (other than DRAM chips).

Our revenue increased by approximately 10.8% from approximately HK\$461.7 million for the year ended 31 March 2012 to approximately HK\$511.8 million for the year ended 31 March 2013. Such increase was mainly due to the increase in revenue generated from our trading business, which was partially offset by the decrease in revenue generated from our manufacturing business.

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Our manufacturing business has been our main revenue generator prior to the year ended 31 March 2013. With a combination of the factors set out below, the proportion of revenue attributable to our trading business became larger than the revenue attributable to our manufacturing business for the year ended 31 March 2013.

Since September 2011, our management tended to select more profitable orders and avoid accepting non profitable production orders so as to increase the profit margin of our manufacturing business. According to iSuppli Corporation, the Asian DRAM module market decreased by approximately 5.5% to approximately 367.9 million units and the China DRAM module market declined by 3% to approximately 165.5 million units in terms of shipment volume in 2012. This was mainly due to the weak demand in personal computer market in Asia and China as a result of gloomy economy and rising demand in iPad or other android based tablets in 2012 which mainly use soldered down DRAM chips instead of DRAM modules. As a result, our manufacturing orders and revenue generated from manufacturing business decreased for the year ended 31 March 2013.

Despite of the aforesaid, also according to iSuppli Corporation, the DRAM suppliers experienced a better DRAM market environment throughout 2012 than in 2011. The supply in DRAM chips was more rational in 2012 than in 2011 hence the supply and demand balance of DRAM chips became tighter and the previous situation of oversupply was improved. Given DRAM chips are small in size and the application of which are much wider than DRAM modules, the overall DRAM chip market outperformed DRAM module market in 2012. Driven by market demand, our trading orders and revenue generated from trading business increased for the year ended 31 March 2013.

Manufacturing Business

DRAM modules have been our major product during the Track Record Period. The manufacturing and sales of DRAM modules accounted for approximately 57.1% and 31.5% of our revenue during the Track Record Period respectively. The revenue attributable to our manufacturing business decreased from approximately HK\$297.4 million which accounted for 64.4% of our total revenue for the year ended 31 March 2012 to approximately HK\$186.1 million which accounted for approximately 36.3% of our total revenue for the year ended March 2013. To the best information and knowledge of the Directors, there were a number of factors resulting in such a decrease. The decrease in the manufacturing business was primarily due to the decrease in the revenue attributable to the branded products from approximately HK\$170.2 million for the year ended 31 March 2012 to approximately HK\$74.9 million for the year ended 31 March 2013. Such decrease was mainly due to the decrease in purchase orders from two particular customers (one from PRC and the other from the US) for the year ended 31 March 2013. For details, please refer to the sub-section headed “Business – Sales and Marketing – Sales”.

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Set out below is the summary of DRAM modules manufactured and sold by us classified by capacity during the Track Record Period:

Capacity	Year ended 31 March 2012			Year ended 31 March 2013		
	Revenue (HK\$'000)	Quantity (Unit)	Average unit price (HK\$)	Revenue (HK\$'000)	Quantity (Unit)	Average unit price (HK\$)
8GB	–	–	–	2,472	9,935	248.8
4GB	85,253	676,116	126.1	127,776	975,479	131.0
2GB	113,913	1,424,394	80.0	26,722	369,666	72.3
1GB	64,423	674,681	95.5	4,379	81,041	54.0
512MB	223	2,885	77.3	4	82	48.8
	<u>263,812</u>	<u>2,778,076</u>	<u>N/A</u>	<u>161,353</u>	<u>1,436,203</u>	<u>N/A</u>

Note: For the avoidance of doubt, the above quantity excludes the quantity manufactured by us that we only charged assembling fee which amounted to approximately HK\$4.2 million and HK\$1.9 million for the Track Record Period, respectively.

During Track Record Period, 2GB DRAM modules accounted for approximately 51.3% and 25.7% of the units of DRAM modules manufactured and sold, and approximately 43.2% and 16.6% of the revenue derived from DRAM modules manufactured and sold for the years ended 31 March 2012 and 2013 respectively. We recorded decrease in quantity of DRAM modules manufactured and sold as a whole by approximately 48.3% for the year ended 31 March 2013 as the PRC DRAM module market was relatively weak during 2012 despite the increase in average selling price of our DRAM modules by approximately 18.3%.

For the year ended 31 March 2013, the DRAM modules market shifted to larger capacity, and 4GB DRAM modules and newly manufactured 8GB DRAM modules accounted for approximately 67.9% and 0.7% of the units of the DRAM modules manufactured and sold, and approximately 79.2% and 1.5% of the revenue derived from DRAM modules manufactured and sold. As illustrated in the iSuppli Report, 8GB DRAM modules is expected to have higher demand in the year of 2014 when the trend of shifting to large capacity persists.

During the year ended 31 March 2012, the average selling price of 1GB DRAM module was higher than that for 2GB DRAM module, which was mainly attributable to the different specification as required by our customer who placed orders on our 1GB DRAM module. During the year ended 31 March 2013, the average selling price of 1GB DRAM module was lower than that for 2GB DRAM module, which was mainly attributable to the fade out of 1GB DRAM module and we adopted a strategic reduction of inventories of 1GB DRAM module. During the Track Record Period, we only derived insignificant revenue from 512MB DRAM modules which accounted for less than 0.1% of our revenue for each of the reporting period.

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Set out below is the summary of DRAM modules manufactured and sold by us classified by form factor during the Track Record Period:

Form factor	For the year ended 31 March 2012				For the year ended 31 March 2013			
	Percentage of revenue derived from			Average selling price	Percentage of revenue derived from			Average selling price
	DRAM		Quantity		DRAM		Quantity	
	Revenue (HK\$'000)	modules (%)		(Unit)	Revenue (HK\$'000)	modules (%)		(Unit)
DDR1	9,563	3.6	80,973	118.1	473	0.3	4,772	99.1
DDR2	29,462	11.2	247,238	119.2	2,839	1.8	22,078	128.6
DDR3	224,787	85.2	2,449,865	91.8	158,041	97.9	1,409,353	112.1
Subtotal	<u>263,812</u>	<u>100.0</u>	<u>2,778,076</u>	<u>N/A</u>	<u>161,353</u>	<u>100.0</u>	<u>1,436,203</u>	<u>N/A</u>

Note: For the avoidance of doubt, the above quantity excludes the quantity manufactured by us that we only charged assembling fee which amounted to approximately HK\$4.2 million and HK\$1.9 million for the Track Record Period, respectively.

During the Track Record Period, the sales of DDR2 DRAM modules manufactured by us dropped from approximately HK\$29.5 million for the year ended 31 March 2012, representing approximately 11.2% of our total revenue, to approximately HK\$2.8 million for the year ended 31 March 2013, representing approximately 1.8% of our total revenue and the sales of DDR3 DRAM modules manufactured by us decreased from approximately HK\$224.8 million for the year ended 31 March 2012, representing approximately 85.2% of our revenue, to approximately HK\$158.0 million for the year ended 31 March 2013, representing approximately 97.9% of our revenue mainly due to weak demand of personal computer market in Asia and the PRC. The average selling price of the DDR2 DRAM modules manufactured by us risen by approximately 7.9% for the year ended 31 March 2013, as compared to the corresponding period in 2012 as the reduction in supply of DDR2 DRAM chips, while DDR2 has ruled the DRAM module landscape from 2006 through 2009. The average selling price of the DDR3 DRAM modules manufactured by us increased by approximately 22.1% for the year ended 31 March 2013, as compared to the corresponding period in 2012, the increase of the average selling price was mainly driven by the market as a result of the change in DRAM chip prices. The sales of DDR1 DRAM modules manufactured by us only accounted for less than 3% of our revenue during the Track Record Period.

Manufacturing and sales of USB flash drives and other products accounted for approximately 7.3% and 4.8% of our revenue for the years ended 31 March 2012 and 2013 respectively. The change in revenue generated from the sale of USB flash drives and other products during the Track Record Period was mainly attributable to the change in customer orders possibly due to the poor economic environment in Europe and America.

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Trading Business

During the Track Record Period, our revenue derived from trading business increased from approximately HK\$160.0 million for the year ended 31 March 2012, accounted for approximately 34.7% of the total revenue, to approximately HK\$323.8 million for the year ended 31 March 2013, accounted for approximately 63.3% of the total revenue. Such increase was mainly due to the increase in our trading orders of DRAM chips as driven by market demand for the reasons stated above and our commencement in trading of NAND flash in bulk since December 2012.

NAND flash is an important component for USB flash drives and which is also a memory widely used in smartphones, tablets and solid state disks in ultrabooks. According to iSuppli, global NAND flash revenue is expected to increase from approximately US\$20.2 billion in 2012 to approximately US\$28.1 billion by 2017 as driven by the expected increase in NAND flash consumption for smartphones, tablets and solid state disk in ultrabooks. Similar to DRAM chips, engaging in manufacturing of USB flash drives allows us to have first hand market information of the demand and supply of NAND flash. Given large producers of DRAM chips also produce NAND flash, we have been able to source NAND flash from our existing suppliers. Envisaging the future increase in demand in NAND flash and in order to broaden our revenue base, we commenced trading in NAND flash in bulk, and we tended to accept certain orders even they were non-profitable for the first few months so as to establish our revenue base.

During the Track Record Period, we mainly traded DRAM chips with capacities of 128Mbx8, 256Mbx8 and 512Mbx8 and NAND Flash WAFER 64Gb which in aggregate accounted for approximately 92.7% and 85.8% of our revenue derived from our trading business, respectively.

The increase in revenue derived from trading business for the year ended 31 March 2013 was mainly resulted from the combined effect of the increase in quantity traded and the decrease in average unit price of DRAM chips of 128Mbx8 and 256Mbx8 sold. During the year ended 31 March 2013, we also newly commenced trading chips of 512Mbx8 and NAND Flash. For instance, the average unit price of 128Mbx8 decreased by approximately 14.9% from approximately HK\$8.1 to HK\$6.9; and the average unit price of 256Mbx8 decreased by approximately 12.8% from approximately HK\$8.6 to approximately HK\$7.5.

On the other hand, as the market shifted the demand of from DRAM chips from smaller capacity to larger capacity, the quantity traded for 256Mbx8 increased from approximately 14.6 million units to approximately 19.8 million units during the Track Record Period. Besides, the newly traded DRAM chips of 512Mbx8 and NAND Flash amounted for approximately 3.2 million units and approximately 3.7 million units for the year ended 31 March 2013, and amounted to approximately HK\$52.6 million and approximately HK\$87.7 million, respectively. As a result, we recorded increase in revenue derived from the trading business by approximately 102.3%.

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The following table illustrates the breakdown of our revenue during the Track Record Period with respect to geographical areas:

	Year ended 31 March			
	2012		2013	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
PRC and Hong Kong	301,113	65.2	417,845	81.6
Taiwan	84,031	18.2	50,007	9.9
Americas	55,160	11.9	13,912	2.7
Europe	12,990	2.8	14,927	2.9
Other countries (<i>Note</i>)	8,421	1.9	15,108	2.9
Total	<u>461,715</u>	<u>100.0</u>	<u>511,799</u>	<u>100.0</u>

Note: Other countries include Africa, Australia, Thailand and some other Asian countries.

During the Track Record Period, the PRC and Hong Kong are our major markets and contributed approximately 65.2% and 81.6% of our revenue respectively. Foreseeing the growing in demand on ultrabooks in the PRC, we will maintain our major focus on further developing the PRC market, while with a view to explore our overseas market, recruiting new customers and promoting our products, we have been actively participating in electronic and computer products exhibitions around the world and placing advertisements in various electronic and computer products websites.

Cost of Sales

The following table illustrates the breakdown of our cost of sales during the Track Record Period:

	Year ended 31 March			
	2012		2013	
	Cost of sales	Percentage of total cost of sales	Cost of sales	Percentage of total cost of sales
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Manufacturing				
– raw materials	265,982	64.0	163,004	35.3
– labour cost	4,998	1.2	4,879	1.1
– depreciation	1,212	0.3	1,658	0.3
– others	1,247	0.3	1,412	0.3
Trading	142,477	34.2	291,037	63.0
Total	<u>415,916</u>	<u>100.0</u>	<u>461,990</u>	<u>100.0</u>

Note: Set out below is the breakdown of impairment of inventories during the Track Record Period included in the cost of sales.

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<i>Impairment of (reversal of) –</i>	For the year ended 31 March	
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net realisable value	(2,830)	–
Inventory obsolescence	438	1,674
	(2,392)	1,674
	(2,392)	1,674

During the Track Record Period, integrated chips were our major raw material and accounted for approximately 98.0% and 99.6% of our raw material cost respectively. The increase in cost of sales sold for the year ended 31 March 2013 was mainly due to the increase in cost of sales in trading business, which was generally in line with the increase in revenue derived from our trading business for the year ended 31 March 2013 as compared to the year ended 31 March 2012, attributable to the increase in the quantity of goods sold.

Raw material cost, mainly representing the cost of DRAM chips, accounted for approximately 97.3% and 95.4% of our cost of goods manufactured and sold for the Track Record Period, respectively. We experienced decrease in our cost of goods manufactured and sold of approximately 37.5% for the year ended 31 March 2013 as compared to the decrease in revenue derived from selling of manufactured products of approximately 37.4%.

During the Track Record Period, purchases of DRAM chips in 128Mbx8 or 256Mbx8 accounted for more than 63.6% of our purchases. The monthly average purchase price of our DRAM chips in 128Mbx8 ranged from approximately HK\$5.2 per unit to approximately HK\$9.3 per unit and approximately HK\$2.3 per unit to approximately HK\$7.8 per unit for each of the year ended 31 March 2012 and 2013 respectively. The monthly average purchase price of our DRAM chips in 256Mbx8 ranged from approximately HK\$5.6 per unit to approximately HK\$14.9 per unit and approximately HK\$4.5 per unit to approximately HK\$11.9 per unit for each of the year ended 31 March 2012 and 2013 respectively.

The fluctuation in the purchase price of DRAM chips was mainly driven by the DRAM chips market, while the relatively wider range of monthly average purchase price of our DRAM chips in 256Mbx8 for the year ended 31 March 2012 was mainly due to the 256Mbx8 was relatively mature product in market and hence has less fluctuation in prices for the year ended 31 March 2013.

We recorded an impairment of inventories of approximately HK\$7.9 million during the year ended 31 March 2011. However, approximately HK\$3.2 million of which were reversed during the year ended 31 March 2012 when we sold part of the such inventories above the value that the relevant goods were written down to and approximately HK\$4.3 million of which was realised during the year ended 31 March 2012. During the year ended 31 March 2012, we recorded impairment of inventories on net realisable value and inventory obsolescence of approximately HK\$763,000. During the year ended 31 March 2013, we recorded impairment of inventories on net realisable value and inventory obsolescence of approximately nil and HK\$1.7 million, respectively.

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Other income

The decrease in other income for the year ended 31 March 2013 was mainly attributable to no compensation income was recorded. The compensation income for the year ended 31 March 2012 was related to the compensation from a supplier for supplying raw materials that fell short of specification.

Selling, general and administrative expenses

The following table sets forth a breakdown of our selling expenses and general and administrative expenses during the Track Record Period:

Selling expenses

	For the year ended	
	31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Freight and transportation expenses	2,078	1,271
Advertising expenses	679	844
Sales commission	99	25
Staff costs	1,168	927
Others	292	332
	<u>4,316</u>	<u>3,399</u>
	<u>4,316</u>	<u>3,399</u>

General and administrative expenses

	For the year ended	
	31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Professional fee in respect of the initial public offering	5,681	6,918
Legal and professional fees	665	1,434
Staff and related costs	5,497	5,431
Office expenses	2,232	1,859
Travelling and transport	1,108	623
Depreciation	3,060	2,503
Rent, rate and building management fee	908	788
Bank charges	516	239
Reversal of impairment of trade receivables	(654)	–
Others	110	189
	<u>19,123</u>	<u>19,984</u>
	<u>19,123</u>	<u>19,984</u>

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Our selling expenses decreased for the year ended 31 March 2013. The change in selling expenses for the year ended 31 March 2013 was mainly due to the decrease in freight and transportation as fewer overseas sales were made. The increase in general and administrative expenses for the year ended 31 March 2013 was mainly due to the increase in listing expenses for the proposed listing of our shares on the Stock Exchange and the effect was partially offset by the decrease in office expenses, depreciation expenses and travelling and transport expenses.

Finance costs

The finance costs mainly represented the interest in relation to our borrowings.

Income tax expense

Our income tax expense comprises both Hong Kong profits tax and PRC Enterprise Income Tax.

Net profit

We recorded net profits attributable to equity holders of the Company of approximately HK\$76.5 million and approximately HK\$17.9 million for the years ended 31 March 2012 and 2013, respectively. The decrease in net profit was mainly due to (i) there was a gain on disposal of a property to a company owned by Ms. Shen Wei and Mr. George Lu, each an executive Director, of approximately HK\$59.8 million recorded for the year ended 31 March 2012, while no such gain was recorded for the year ended 31 March 2013; (ii) the decrease in other income, which were partially offset by the improvement of gross profit, and (iii) the decreases in selling expenses.

Review of historical operating results

Year ended 31 March 2013 compared to year ended 31 March 2012

Revenue

Our revenue increased by approximately 10.8% from approximately HK\$461.7 million to approximately HK\$511.8 million. Such increase was mainly due to the trading of new product series, namely NAND Flash, which accounted for approximately HK\$87.7 million of our total revenue or approximately 17.1% to our total revenue.

The revenue generated from our trading of DRAM chips increased by approximately 42.6% from approximately HK\$156.6 million to approximately HK\$223.3 million. On the other hand, the revenue derived from the manufacturing and sale of DRAM modules decreased from approximately HK\$263.8 million to approximately HK\$161.4 million, representing a decrease of approximately 38.8%. The decrease is mainly due to the relatively weak PRC DRAM module market was during 2012 despite the increase in average selling price of our DRAM modules by approximately 18.3%.

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Gross profit

Our gross profit amounted to approximately HK\$49.8 million for the year ended 31 March 2013, representing an increase of approximately 8.8% as compared to that for the previous year. The gross profit margin decreased slightly from approximately 9.9% to approximately 9.7%. Our gross profit margin was relatively lower for the year ended 31 March 2013 as compared to the corresponding period in 2012 mainly due to our Group commenced trading of NAND Flash product in bulk since December 2012, which recorded a relatively low gross profit margin and as a result, lowered the overall gross profit margin of our Group. The lower gross profit margin of NAND Flash product series was mainly due to our tendency to accept certain orders even though they were non-profitable for the first few months so as to establish our revenue base. During the two years ended 31 March 2013, in order to avoid inventory obsolescence in respect of DRAM chips and DRAM modules and establish our customer base for the NAND flash, approximately 13.3% and 12.2% of the sales revenue were generated at gross loss.

Set out below is the gross profit and gross profit margin of our manufacturing and trading businesses during the two years ended 31 March 2013:

Gross profit by business

	For the year ended 31 March			
	2012		2013	
	<i>HK\$'000</i>	<i>Gross profit margin</i>	<i>HK\$'000</i>	<i>Gross profit margin</i>
Manufacturing business	28,234	9.4%	17,006	9.1%
Trading business	17,565	11.0%	32,803	10.1%

We have our production facility equipped with 4 SMT lines and over 100 staff in the PRC, and we maintain stable relationship with our suppliers who are distributors or agents of reliable DRAM chip manufacturers. Our top five suppliers include a DRAM chip manufacturer which belongs to a listed company in the US and is one of the top five global DRAM suppliers in 2012 (based on shipment according to iSuppli Corporation) and a DRAM chip supplier whose shareholders include a listed company in Taiwan.

We recorded a slightly lower gross profit margin in our manufacturing business during the two years ended 31 March 2013 as compared to the gross profit margin in our trading business.

According to the iSuppli Report, there are only a handful of DRAM chip manufacturers globally and the top five players produced 97.1% of all the DRAM chips shipped in 2012. On the contrary, there are numerous DRAM module manufacturers in the world and the competition is keen. Most DRAM module manufacturers source DRAM chips in the market for DRAM chips produced by limited number of manufacturers. The DRAM module manufacturing market is generally more competitive than DRAM chip market. Many customers of our Group would need to source purchase DRAM chips from other industry players and they are also more willing to pay for DRAM chips at higher pricing when they are in need of stock with particular specification. With our stable relationship with our suppliers who are distributors or agent of well established DRAM chip manufacturers which provides stable sources of DRAM chips, we usually have bargaining power to conclude a price with higher profit

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margin for trading products rather than self-manufactured products. On the other hand, we offer more competitive pricing for our self-manufactured DRAM module products due to the keen competition in the market and that our Goldenmars brand has yet become a top brand. With a combination of the above factors, the gross profit margins for our manufacturing business were slightly lower than those of its trading business during the Track Record Period.

As our Group's business are highly determined by the market demand in PRC and Hong Kong, we may, subject to our stock sufficiency and our ability to source products as required by our customers, conduct trading business and therefore, the financial performance of the trading business may vary from time to time.

For our trading business, when the prices of the DRAM chips are in an increasing trend, we would tend to record higher gross profit margin, while when the prices of the DRAM chips are in a decreasing trend, we would tend to record lower gross profit margin.

We recorded gross profit of approximately HK\$17.6 million and HK\$32.8 million from our trading business, representing a gross profit margin of approximately 11.0% and 10.1% for the years ended 31 March 2012 and 2013, respectively. The increase in trading business's gross profit by approximately HK\$15.2 million was mainly attributable to (i) the increase in gross profit of DRAM chips 256Mbx8 by approximately HK\$8.2 million; and (ii) the newly traded DRAM chips, namely 512Mbx8, contributed approximately HK\$5.0 million of the trading business's gross profit. Despite the increase in trading business's gross profit, we recorded a decrease in gross profit margin which was mainly due to the low profit derived from trading in NAND flash, a memory we commenced trading in bulk since December 2012.

We recorded gross profit of approximately HK\$28.2 million and HK\$17.0 million from our manufacturing business for the years ended 31 March 2012 and 2013, representing a gross profit margin of approximately 9.4% and 9.1%. The decrease in manufacturing business's gross profit by approximately HK\$11.2 million was mainly attributable to decrease in gross profit derived from the sales of DRAM modules resulting from the decrease in DRAM module quantity sold from approximately 2.8 million units for the year ended 31 March 2012 to approximately 1.4 million units for the year ended 31 March 2013.

Other income

Other income decreased from approximately HK\$3.9 million for the year ended 31 March 2012 to approximately HK\$0.4 million for the year ended 31 March 2013, primarily due to no compensation income was recorded for the year ended 31 March 2013 and the decrease of freight income from approximately HK\$0.4 million to HK\$0.1 million. For the year ended 31 March 2013, approximately HK\$0.4 million of repair and testing income was recorded.

Compensation income

There was no compensation income recorded during the year ended 31 March 2013. The compensation income of approximately HK\$3.1 million for the year ended 31 March 2012 was related to the compensation by a supplier who supplied printed circuit board that fell short of the higher standard of specification as requested by us.

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Selling expenses

Our selling expenses decreased from approximately HK\$4.3 million for the year ended 31 March 2012 to HK\$3.4 million for the year ended 31 March 2013. The change was mainly attributable to the decrease in freight and transportation expenses from approximately HK\$2.1 million to approximately HK\$1.3 million.

General and administrative expenses

Our general and administrative expenses increased by approximately 4.5% from approximately HK\$19.1 million to approximately HK\$20.0 million, the increase was mainly attributable to the increase in professional fee in respect of the initial public offering from approximately HK\$5.7 million to approximately HK\$6.9 million partially offset by the decrease in office expenses, depreciation expenses and travelling and transport expenses.

Gain on disposal of property, plant and equipment

Our gain on disposal property, plant and equipment decreased significantly from approximately HK\$59.8 million for the year ended 31 March 2012 to approximately HK\$0.2 million for the year ended 31 March 2013. The decrease was mainly attributable to the Group disposed of a property to Deluxe More Capital Limited, a company beneficially owned by the Controlling Shareholders at consideration of HK\$98.0 million, resulting in gain of approximately HK\$59.8 million for the year ended 31 March 2012. During the year ended 31 March 2013, we recorded the gain on disposal of HK\$0.2 million for the disposal of a motor vehicle.

Finance costs

Our borrowings were mainly trust receipt loans which were short-term in nature. Our finance costs increased by approximately HK\$0.5 million as the weighted average effective interest rate on borrowings increased from 1.7% as at 31 March 2012 to 2.1% as at 31 March 2013.

Income tax expense

The Group is carrying on its business in Hong Kong and the PRC and is subject to Hong Kong profits tax and PRC Enterprise Income Tax in respect of its profits arising in or derived from Hong Kong and the PRC from such business.

Hong Kong profits tax has been provided for at the rate of 16.5% for the two years ended 31 March 2013 on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subject to PRC Enterprise Income Tax at the rate of 25% for the two years ended 31 March 2013.

Our income tax expense for the year ended 31 March 2013 decreased by approximately 14.1% from approximately HK\$7.0 million to approximately HK\$6.0 million. The decrease was mainly attributable to written back of over-provision of PRC Enterprise Income Tax of approximately HK\$0.3 million, and write back of Hong Kong deferred income tax of approximately HK\$0.3 million.

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The assessable profit which was calculated as the profit before tax as adjusted by the non-taxable and non-deductible items including, but not limited to, the gain on disposal of property, plant and equipment of approximately HK\$59.8 million, the balancing charge of approximately HK\$4.5 million arose from the disposal. Such gain on disposal of property, plant and equipment and the related balancing charge give rise to the income not subject to taxation of approximately HK\$9.1 million. For the year ended 31 March 2012 and 2013, approximately HK\$5.7 million and approximately HK\$6.9 million non-deductible listing expense was incurred respectively.

Our effective tax rate after adjusting the profit before income tax by the above non-taxable and non deductible items was approximately 20.6% and 19.4% for each of the two years ended 31 March 2013, respectively.

Net profit

Our net profit attributable to equity holders of the Company recorded a decrease of approximately 76.6% whilst the net profit margin decreased from approximately 16.6% to 3.5%. The significant decrease in net profit was primarily due to no gain on disposal of a property of the Group to a company beneficially owned by Controlling Shareholders was recorded during the year ended 31 March 2013, and the effect was partially offset by the increases in gross profit and decrease in selling expenses.

Discussion of major balance sheet components

Inventories

The following table sets forth a breakdown of our inventories during the Track Record Period:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	56,679	80,709
Work-in-progress	5,476	1,393
Finished goods	10,087	6,515
	<u>72,242</u>	<u>88,617</u>
Less: provision for impairment of inventories	<u>(1,256)</u>	<u>(2,438)</u>
Total	<u>70,986</u>	<u>86,179</u>

Our inventories mainly comprised of raw material and finished goods. Major raw materials were mainly DRAM chips, while finished goods were mainly DRAM modules.

Our finished goods accounted for approximately 14.0% and 7.4% of our inventories, respectively, as at 31 March 2012 and 2013. The backlog of finished good depends on the market demand and orders we received. Despite the aforesaid, we usually keep inventory up to a volume ranging from 10% to 20% of annual budget sales volume to cater for the changing demand for our products.

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Our inventories, mainly comprised DRAM chips and DRAM modules, is subject to technological changes, while no material obsolescence of inventory nor obsolescence due to technological changes were identified during the Track Record Period. Nevertheless, we have implemented procedures to control the status and our stock level. In general, we intend to keep our inventory level of different raw materials to satisfy our production and trading requirements based on customers' sales forecast and the prevailing raw material prices, for instance, integrated chips for up to approximately 60 days and monthly review for other raw materials like PCB, EEPROM and RAM controller. We carry out full stock take on a monthly basis for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. In addition, our Group adopted "first-in first-out" method to ensure inventories of older age will not be unnecessarily accumulated for an extended period of time. Our policy on obsolete or damaged inventories is to write off such inventories after considering its salability. In addition, specific provisions are made on slow moving inventories. Our Directors considered that our inventory management policy during the Track Record Period is adequate. In general, we are not subject to significant exposure of inventory obsolescence. Nevertheless, for the year ended 31 March 2012, we made provision for net realisable value of inventories of approximately HK\$0.3 million and provision for inventory obsolescence of approximately HK\$0.4 million. For the year ended 31 March 2013, we made provision for inventories obsolescence of approximately HK\$1.7 million.

For the year ended 31 March 2012 and 2013, we recorded stock turnover days of approximately 53.7 days and 62.1 days, respectively. The increase in our stock turnover days was mainly due to the increase in inventory level from approximately HK\$71.0 million as at 31 March 2012 to approximately HK\$86.2 million as at 31 March 2013. The stock up of inventory was mainly to cater for the potential customers orders.

As at 31 March 2013, approximately 82.1% of our inventories were aged within three months. As at 30 June 2013, approximately 81.0% of the finished goods as at 31 March 2013 were subsequent sold.

Trade receivables, other receivables and prepayments

Trades, bills and other receivables and prepayment constitute another major component of our current assets throughout the Track Record Period. The following table sets forth a breakdown of our trade, other receivables and prepayments as of the dates indicated:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	21,303	6,044
Less: provision for impairment	(346)	(346)
	20,957	5,698
Deposits, prepayments and other receivables	5,294	5,292
	26,251	10,990
Less: non-current deposits	(196)	(196)
Current portion	26,055	10,794

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The total trade receivables, deposits, prepayments and other receivables decreased from approximately HK\$26.3 million as at 31 March 2012 to approximately HK\$11.0 million as at 31 March 2013, mainly due to the decrease in the trade receivables by approximately HK\$15.3 million from approximately HK\$21.0 million as at 31 March 2012 to approximately HK\$5.7 million as at 31 March 2013. The decrease in the trade receivables is primarily due to (i) our policy to strengthen the credit control; and (ii) the decrease in revenue for the month ended 31 March 2013 as compared to that for the month ended 31 March 2012.

The deposit, prepayments and other receivables mainly represented the prepayments made in relation to the purchase of DRAM chips and listing expenses. The deposit, prepayments and other receivables remained stable at approximately HK\$5.3 million as at 31 March 2013.

As at 30 June 2013, approximately 94.3% of the trade receivables as at 31 March 2013 have been subsequently settled.

The following table sets out the aging analysis of our trade receivables as at 31 March 2012 and 2013, respectively, based on the relevant invoice dates:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	20,320	5,319
31 to 60 days	567	24
61 to 90 days	12	313
Over 90 days	404	388
	<u>21,303</u>	<u>6,044</u>

For new customers (which we have less than three months business relationship), we generally require payment upon delivery and do not provide any credit period. For existing customers, we, upon internal approval, generally grant credit periods of up to one month. We grant credit period after taking into account of a number of factors, including among others, the credit history and historical sales performance of our customers. We may also extend a credit period based on individual circumstances and upon the approval of a director or general manager.

It is our policy to review overdue balances and our receivable balances on an ongoing basis and appropriate assessment is made by our management team to determine whether or not provision for impairment of trade receivables should be made.

Our debtors' turnover days remained stable during the Track Record Period which was approximately 24.2 days and 9.5 days for the years ended 31 March 2012 and 2013, respectively. The decrease in debtors' turnover days was mainly due to strict control over our trade receivables.

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We did not experience any material payment defaults from our customers during the Track Record Period. We recorded a reversal in provision of doubtful debts for the year ended 31 March 2012 of approximately HK\$0.7 million and nil in provision of doubtful debts for the year ended 31 March 2013.

Trade payables and trust receipt loans

The following table sets forth a breakdown of our trade payables and trust receipt loans as of the dates indicated:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Trade payables	4,303	1,772
Trust receipt loans	<u>112,193</u>	<u>129,467</u>
	<u>116,496</u>	<u>131,239</u>

Trade payables and trust receipt loans were primarily related to the purchase of raw materials. The aggregate trade payable and trust receipt loan balance increased from approximately HK\$116.5 million as at 31 March 2012 to approximately HK\$131.2 million as at 31 March 2013, representing an increase of approximately HK\$14.7 million. We mainly utilise our trust receipt loan to finance our purchases and we were usually granted a credit period of up to 15 days for purchase of DRAM chips and up to 60 days for purchase of other raw materials. The settlement term of the trust receipt loans is 90 days.

During the Track Record Period, we mainly relied on debt financing and internal resources generated from our operation to finance our growth and business. We have been using trust receipt loans to finance our purchases to cover the funding needs for the period between the date of payment to the supplier and date of receipt of payments from the customer. Given the business nature of our Group, we required larger amount of lines of credits and the settlement term of the trust receipt loan is 90 days, the settlement through the use of trust receipt loan provides flexibility in resources allocation to us, while we did not have any liquidity problem in settling the purchase payment during the Track Record Period.

Our creditors' turnover days was approximately 105.6 days and 97.9 days for the years ended 31 March 2012 and 2013, respectively. The decrease in creditors' turnover days for the year ended 31 March 2013 was mainly due to less purchase orders were made by us in March 2013.

As at 30 June 2013, 99.9% of the outstanding trade payables and trust receipt loans as at 31 March 2013 had been settled.

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Borrowings

Borrowings constitute a major component of our liabilities during the Track Record Period. The amount mainly comprised trust receipt loans from banks which were repayable within one year and secured bank loans from banks during the Track Record Period. As at 31 March 2012 and 2013, the Group's bank loans that were due for more than one year contain repayment on demand clauses and were therefore classified under current liabilities. The bank loans amounted to approximately HK\$30.8 million and HK\$25.2 million as at 31 March 2012 and 2013, respectively. The decrease of bank loans by approximately HK\$5.6 million was mainly attributable to the repayment of bank loans. The unutilised banking facilities bear no material covenants, and there has been no default or delay in repayment of banking facilities or borrowings by us during the Track Record Period. Despite the global economic crisis, our lines of credits have not been tightened and the level of lending of our facilities have not been reduced during the Track Record Period and there has been no material development in this connection after the Track Record Period and up to the Latest Practicable Date which had any material adverse effect on our business.

Set out below the summary of our bank borrowings and trust receipt loans during the Track Record Period:

	As at 31 March 2012		As at 31 March 2013		Maturity date
	Outstanding balance HK\$'000	Effective interest rate	Outstanding balance HK\$'000	Effective interest rate	
Trust receipt loans					
Trust receipt loan (HSBC)	87,297	2.7% (SIBOR+2%)	86,630	3.1% (SIBOR+2%)	3/6/2013
Trust receipt loan (DBS)	24,896	3.3% (LIBOR+1.5%)	42,837	4.2% (LIBOR+2.75%)	19/6/2013
Total TR	<u>112,193</u>		<u>129,467</u>		
Bank loans					
Bank loan (DBS)	344	2.6% (HIBOR+2%)	NIL	NIL	19/5/2012
Bank loan (DBS)	23,033	1.8% (HIBOR+1%, or Prime-2.75%, whichever is lower)	21,170	2.29% (HIBOR+1%, or Prime-2.75%, whichever is lower)	15/3/2023
Bank loan (HSBC)	2,700	1.7% (HIBOR+1.5%)	1,500	1.8% (HIBOR+1.5%)	2/6/2014
Bank loan (HSBC)	1,000	1.7% (HIBOR+1.45%)	NIL	1.7% (HIBOR+1.45%)	31/8/2012
Bank loan (HSBC)	3,700	1.7% (HIBOR+1.45%)	2,500	1.7% (HIBOR+1.45%)	17/4/2015
Total bank loans	<u>30,777</u>		<u>25,170</u>		
Total trust receipt and bank loans	<u>142,970</u>		<u>154,637</u>		

Notes:

- (1) HSBC stands for The Hongkong and Shanghai Banking Corporation Limited
- (2) DBS stands for DBS Bank (Hong Kong) Limited
- (3) SIBOR stands for Singapore Interbank Offered Rate
- (4) LIBOR stands for London Interbank Offered Rate
- (5) HIBOR stands for the Hong Kong Interbank Offered Rate

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Amounts due to/from related parties

Amounts due from/to related companies

As at 31 March 2012, the amounts due from related companies amounted to approximately HK\$18.7 million and the amounts due to related companies amounted to approximately HK\$78,000. The amounts due from related companies mainly represented the amounts from a related company due to the disposal of a property which amounted to approximately HK\$98.0 million of which HK\$21.2 million has been in cash, and partially offset by the dividend of approximately HK\$59.9 million declared during the year ended 31 March 2012.

As at 31 March 2013, the amounts due from related companies amounted to approximately HK\$21.1 million and the amounts due to related companies amounted to approximately HK\$78,000.

Subsequent to 31 March 2013 and before the Listing, all amounts due to/from related parties have been fully settled.

Amount due to/from director

The amount due from a director mainly represented the advances by us and amounted to approximately HK\$5.5 million and HK\$5.6 million as at 31 March 2012 and 2013, respectively, while the amount due to a director was mainly represented the advances to us and amounted to approximately HK\$13.0 million and HK\$13.0 million as at 31 March 2012 and 2013, respectively. The amounts have been fully settled before the Listing.

Non-cash transactions

During the year ended 31 March 2012, we have disposed a property to Deluxe More Capital Limited, a company beneficially owned by Ms. Shen Wei and Mr. George Lu, each an executive Director, at a consideration of approximately HK\$98.0 million. The amount was settled as to approximately HK\$21.2 million in cash and HK\$76.8 million through current account with Deluxe More Capital Limited, which was subsequently partially offset against the dividend for the year of approximately HK\$59.9 million.

During the year ended 31 March 2013, there were no non-cash transactions recorded.

Working capital management policy

We actively and regularly review and manage our capital structure to ensure our healthy financial position. Given the revenue of our trade receivables and inventories is slower than the revenue of our trade payables, should we have any need for short term working capital, we will factor our trade receivables to bank to reduce the cash turnaround time.

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TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are registered as BVI business companies under the BVI Business Companies Act, 2004 and are exempted from payment of income tax of BVI.

For our subsidiaries incorporated in Hong Kong and the PRC, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period, while the PRC Enterprise Income Tax (“EIT”) has been provided at the applicable rates in accordance with the income tax laws of the PRC.

On 16 March 2007, the new Law on EIT was passed by the National People’s Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008.

INDEBTEDNESS

As at the close of business on 30 June 2013, being the Latest Practicable Date for the purpose of ascertaining certain information contained in this indebtedness statement prior to printing of this prospectus, we had outstanding interest-bearing obligations under finance lease of approximately HK\$0.8 million, all of which was repayable within one year and secured interest-bearing bank borrowings of approximately HK\$24.1 million.

As at 30 June 2013, our banking facilities were partly secured by our assets including leasehold properties of approximately HK\$49.1 million, the personal guarantee given by a Director and properties of a related company. The personal guarantee and the pledge of the properties of a related company will be released upon Listing. The obligation under finance lease was secured by the charge over the leased asset of approximately HK\$3.1 million.

Save for the aforesaid or otherwise disclosed herein and apart from the intra-group liabilities, we did not have, at the close of business on 30 June 2013, any debt securities, or term loans or bank overdrafts, debentures, mortgages, charges, obligation under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

SUBSEQUENT CHANGES

Save as discussed herein, the Directors confirm that there is no material adverse changes in our indebtedness position and contingent liabilities since 30 June 2013.

The Directors further confirm that they are not aware of any cancellation of orders, any material default in payment by our customers or significant drop in average selling prices of our products, from 31 March 2013 up to the Latest Practicable Date.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, Sunlutech Inc., a limited liability company incorporated in the United States controlled by Mr. Lu Zhi-peng, the son of Mr. George Lu, purchased DRAM chips from us and sold DRAM modules and DRAM chips to us. Purchase from Sunlutech Inc. for the year ended 31 March 2012 and 2013 were approximately HK\$0.3 million and nil, respectively. There is no sale to Sunlutech Inc. for the year ended 31 March 2012 and 2013. The principal business of Sunlutech Inc. was trading in computer products and it ceased to engage in such business in the second half year of 2011. As at the Latest Practicable Date, it has no plan to engage in business which would compete with our Group or have future business dealings with the Group.

With respect to the related party transactions set out above and other related party transactions set out in the Accountant's Report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and on arm's length basis.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have been generally financing our operations through a combination of, internally generated cash flows and bank borrowings. Following completion of the Placing, we expect our capital and operating cash flow requirements will be funded principally through internally generated cash flows, the net proceeds from the Placing, and bank borrowings. Our Directors believe that in long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depend on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs. We may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

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Cash flows

The table below sets out a summary of the cash flows information of our Group during the Track Record Period:

	Year ended 31 March	
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash generated from operating activities	8,593	19,306
Net cash generated from/(used in) investing activities	18,058	(143)
Net cash (used in)/generated from financing activities	<u>(31,535)</u>	<u>5,769</u>
Net (decrease)/increase in cash and cash equivalents	<u><u>(4,884)</u></u>	<u><u>24,932</u></u>

Operating activities

Our operating cash inflows are principally derived from the receipt of payments for the sales of our products while our operating cash outflows are principally for the purchase of raw materials and other operating costs such as staff costs and utilities.

We recorded net cash generated from operating activities of approximately HK\$8.6 million for the year ended 31 March 2012, which was mainly attributable to the profit before income tax of approximately HK\$83.5 million, adjusted for a non-cash gain on disposal of property, plant and equipment of approximately HK\$59.8 million and offset by the decrease in working capital of approximately HK\$11.5 million. The decrease of working capital was mainly due to the increase in inventories of approximately HK\$17.2 million and decrease in trade payable of approximately HK\$11.8 million and partially offset by the decrease in trade receivable of approximately HK\$20.0 million.

We recorded net cash generated from operating activities of approximately HK\$19.3 million for the year ended 31 March 2013, which was mainly attributable to the profit before income tax for the year of approximately HK\$23.9 million and the decrease of working capital of approximately HK\$4.1 million mainly due to the increase in inventory level of approximately HK\$16.9 million, the increase in amounts due from related parties of approximately HK\$2.5 million, the decrease in trade payables of approximately HK\$2.5 million and partially offset by the decrease of trade receivables of approximately HK\$15.3 million and reduction in deposits, prepayments and other receivables of approximately HK\$1.7 million.

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Investing activities

During the Track Record Period, our cash flows from investing activities were principally used in purchasing property, plant and equipment to cater for our growing production needs and office promises, and cash generated from the proceeds from disposal of property, plant and equipment.

Net cash generated from investing activities amounted to approximately HK\$18.1 million for the year ended 31 March 2012. For the year ended 31 March 2012, the amount mainly represented the part of consideration settled in cash of approximately HK\$21.2 million in relation to the disposal of a property to Deluxe More Capital Limited, a company beneficially owned by Ms. Shen Wei and Mr. George Lu, each an executive Director. We recorded net cash used in investing activities amounted to approximately HK\$0.1 million for the year ended 31 March 2013, mainly due to the purchase of machineries and office equipment, partially offset by the proceeds from the disposal of property, plant and equipment.

Financing activities

During the Track Record Period our financing cash flow were principally generated from the utilisation of our banking facilities and drawdown of bank borrowings, and the repayment of such bank borrowing and the interest accrued thereof.

We recorded net cash used in financing activities amounted to approximately HK\$31.5 million for the year ended 31 March 2012 and net cash generated from financing activities of approximately HK\$5.8 million for the year ended 31 March 2013. The net cash used in for the year ended 31 March 2012 was mainly arisen from the net off effect of repayment of bank borrowings of approximately HK\$360.8 million, drawdown of bank borrowings of approximately HK\$335.3 million and the interest paid of approximately HK\$2.6 million. The net cash generated from financing activities for the year ended 31 March 2013 was due to the net off effect of repayment of bank borrowings of approximately HK\$331.6 million, drawdown of bank borrowings of approximately HK\$343.2 million and the interest paid of approximately HK\$3.1 million.

Capital structure

Based on our unaudited management account as at 30 June 2013, we had net assets of approximately HK\$136.5 million, comprising non-current assets of approximately HK\$59.7 million (mainly comprising property, plant and equipment), net current assets of approximately HK\$76.8 million and non-current liabilities of approximately HK\$15,000.

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Net current liabilities/assets

	As at 31 March		As at
	2012	2013	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
			<i>HK\$'000</i>
Current assets			
Inventories	70,986	86,179	129,925
Trade and other receivables	26,055	10,794	66,084
Amounts due from related parties	24,303	26,798	27,479
Cash and cash equivalents	78,451	103,392	41,266
	199,795	227,163	264,754
Current liabilities			
Trade and other payables	6,989	5,306	10,505
Amounts due to related parties	13,081	13,066	13,066
Borrowings	142,970	154,637	156,700
Finance lease liabilities	1,106	1,130	850
Current income tax liabilities	4,847	1,892	6,783
	168,993	176,031	187,904
Net current assets	30,802	51,132	76,850

Our net current assets position improved from approximately HK\$30.8 million as at 31 March 2012 to approximately HK\$51.1 million as at 31 March 2013. During the year ended 31 March 2012, we have disposed of a property with net book value of approximately HK\$38.2 million at a consideration of approximately HK\$98.0 million. We experienced improvement in net current assets position during the Track Record Period mainly due to the accumulation of assets generated from the Group's profitable operations.

As at 30 June 2013, our Group had a net current asset position of HK\$76.8 million. This was primarily due to the combined effect on (i) the increase in inventories to cater for the potential customers orders; (ii) increase in trade and other receivables by our operations for the three months ended 30 June 2013; (iii) decrease in cash and cash equivalents mainly resulting from stock up of inventories; and (iv) increase in trade and other payables mainly resulting from increase in purchases and accrued IPO expenses.

Loan and banking facilities

Our borrowings during the Track Record Period were denominated in USD and HK\$, and mostly were repayable within one year.

Our total outstanding borrowings and finance lease liabilities amounted to approximately HK\$145.2 million and HK\$155.8 million as of 31 March 2012 and 2013. Our borrowings, representing bank borrowings and trust receipt loans, bear weighted average annual interest rate of approximately 1.7% and 2.1% as at 31 March 2012 and 2013, respectively. Our bank loans are secured by our leasehold properties, personal guarantee given by a Director and properties of two related companies as at 31 March 2012 and properties of a related company as at 31 March 2013. The personal guarantee given by a Director and the security of the properties of a related company will be released upon Listing.

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We have not breached any loan covenants during the Track Record Period and up to the Latest Practicable Date and we expect that we will still be able to meet those covenants.

The following table sets forth summaries of our borrowings by maturity, as of the dates indicated.

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans repayable within a period of:		
– No more than 1 year or on demand	5,708	4,313
– More than 1 year, but not exceeding 2 years	4,389	3,456
– More than 2 years, but not exceeding 5 years	7,715	6,233
– More than 5 years	12,965	11,168
	<u>30,777</u>	<u>25,170</u>
Trust receipt loans		
– No more than 1 year or on demand	112,193	129,467
Finance lease liabilities		
– No more than 1 year or on demand	1,106	1,130
– More than 1 year, but not exceeding 5 years	1,129	–
	<u>2,235</u>	<u>1,130</u>
Total	<u>145,205</u>	<u>155,767</u>

The aforesaid borrowings are secured by our assets as of the dates indicated:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets secured for bank loans:		
– leasehold properties	50,902	49,498
Assets secured for finance lease liabilities:		
– Machineries	3,498	3,157

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Capital expenditure

During the Track Record Period, we have incurred capital expenditure mainly for the purchase of property, plant and equipment amounting to approximately HK\$3.1 million and HK\$0.4 million, respectively. We currently plan to use approximately HK\$0.5 million, HK\$0.6 million and HK\$0.5 million during each of the years ending 31 March 2016, respectively, to purchase new machineries after Listing, which will be entirely financed by the net proceeds from the Placing, including approximately HK\$2.5 million to purchase software, hardwares and equipment for developing SSD. Our directors believe that such capital expenditure budget will be sufficient for our expected expenditure for the year ending 31 March 2013.

We anticipate that the funds required for such capital expenditure will be financed by cash generated from operations, bank borrowings and the net proceeds from the Placing. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan, including, but not limited to, potential acquisitions, the progress of our capital projects, market conditions, the outlook of our future business conditions and potential acquisitions. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, our further operation results, financial condition and cash flows, economic, political and other conditions in the PRC and Hong Kong.

Capital commitments

As at 31 March 2012 and 2013, we had no significant capital commitment.

Contingent liabilities

As at 31 March 2012 and 2013, we had no significant contingent liabilities or outstanding litigation.

Operating lease commitment

We lease warehouse and production plant in the PRC under non-cancellable operating lease agreement. The lease terms are five years, with an option to renew at the end of the period.

The following table sets forth our future minimum lease payment under non-cancellable operating leases as of the end of the relevant reporting periods.

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Within one year	550	629
In the second to fifth years, inclusive	2,060	1,729
	<u>2,610</u>	<u>2,358</u>

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Quantitative and qualitative information about market risks

Interest rate risk

Our Group's interest rate risk arises mainly from bank borrowings. Borrowings carried at variable rates expose our Group to interest rate risk which is partially offset by cash held at variable rates. Our Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Our management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Credit risk

Credit risk primarily arises from trade receivables and other receivables, deposits, amounts due from related parties and cash and cash equivalents included in the consolidated balance sheets which represent our Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on liquid funds is limited because cash at banks are placed with reputable financial institutions in Hong Kong and the PRC which our management believes are of sound credit quality and without major credit risk.

For receivables from its related companies and our directors, our directors consider our Group's credit risk of these receivables to be minimal taking into account the financial position of the counterparts.

Our Group has concentrations of credit risk which arise from trade receivables from our customers. Trade receivables from our Group's five largest customers in aggregate account for 93% and 74% of the Group's total trade receivables at 31 March 2012 and 2013 respectively. Our management does not expect any losses from non-performance by these counterparties. Our Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by our management to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

Liquidity risk

Our liquidity position is monitored closely by the management. With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings.

DISTRIBUTABLE RESERVE

As at 31 March 2013, the Company did not have any distributable reserve available for distribution to shareholders.

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WORKING CAPITAL

The Directors are of the opinion that, after taking into account the cash flow generated from the operating activities, the existing financial resources available to us including internally generated funds, the available banking facilities and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial or trading position since 31 March 2013 (being the date to which our latest audited consolidated financial information was prepared which was set out in the accountant's report in Appendix I to this prospectus) and up to the date of this prospectus.

DIVIDENDS

We may declare dividends after taking into account, among other things, our results, cash flows and financial condition and position, operating and capital requirements. The amount of distributable profits is based on HKFRS, the memorandum and articles of associates of the Company, the Companies Law, applicable laws and regulations and other factors that are relevant to us, including, but not limited to, the consent from certain banks which have credit lines with us.

We have declared dividend of approximately HK\$59.9 million during the year ended 31 March 2012. No dividend was declared for the year ended 31 March 2013. On 21 August 2013, our Company has declared a special dividend of approximately HK\$14.83 million to our existing shareholders as of 21 August 2013, namely Forever Star and Nice Rate in proportion to their respective shareholding which was (i) set off by the net amounts of approximately HK\$14.80 million due to our Group by Forever Star (pursuant to the Deed of Assignment dated 26 August 2013 entered into between, among others, Forever Star, our Company and certain related parties of our Group) on 26 August 2013; and (ii) settled in cash to Nice Rate, in a total amount of approximately HK\$30,000 on 28 August 2013 out of our internal resources. Currently we have not formulated any dividend policy, nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests as of 31 July 2013 and is of the opinion that the value of our property interests as of such date was an aggregate amount of HK\$66.0 million. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix III to this

FINANCIAL INFORMATION

prospectus. The statement below shows the reconciliation of aggregate amounts of our property interests as reflected on the audited consolidated financial statements as at 31 March 2013 with the valuation of our property interests as at 31 July 2013 as set out in Appendix III to this prospectus.

	<i>HK\$'000</i>
Net book value of property interests of our Group as at 31 March 2013 – Leasehold properties	49,498
Movements for the four months ended 31 July 2013	
Less: Depreciation	<u>(468)</u>
Net book value as at 31 July 2013	49,030
Valuation surplus	<u>16,970</u>
Valuation as at 31 July 2013	<u><u>66,000</u></u>

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of our Group attributable to equity holders of our Company as if the Placing had taken place on 31 March 2013 assuming that the Offer Size Adjustment Option is not exercised. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 March 2013 or any future dates following the Placing.

	Unadjusted audited consolidated net tangible assets of our Group attributable to equity holders of our Company as of 31 March 2013 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Placing <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of our Company <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i>
Based on an Placing Price of HK\$0.7 per Share	111,618	28,059	139,677	0.58
Based on an Placing Price of HK\$0.9 per Share	111,618	39,759	151,377	0.63

FINANCIAL INFORMATION

Notes:

1. The unadjusted audited consolidated net tangible assets attributable to equity holders of our Company as at 31 March 2013 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to equity holders of our Company as at 31 March 2013 of approximately HK\$111.6 million.
2. The estimated net proceeds from the Placing is based on the Placing Prices of HK\$0.7 and HK\$0.9 respectively, after deducting of the underwriting fees and related expenses payable by us and takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived after making the adjustment referred to in the preceding paragraphs above and on the basis of a total of 240,000,000 Shares to be in issue immediately following completion of the Placing but takes no account of any Shares which may issued upon the exercise of the Offer Size Adjustment Options or the options that may be granted under the Share Option Scheme.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

SOLE SPONSOR'S INTEREST

Save as disclosed in the sub-section headed "Underwriting-Commission and expenses" in this prospectus, for the advisory and documentation fees to be paid to the Sole Sponsor in connection with the Listing, and for the fee to be paid to the Sole Global Coordinator for its obligations under the Underwriting Agreement and any interest in securities that may be subscribed by it and/or its associates pursuant to the Placing, neither the Sole Sponsor, the Sole Global Coordinator nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Placing, may have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interest in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of the Sole Sponsor has a directorship in our Company or any other company in our Group.

UNDERWRITING

UNDERWRITER

Haitong International Securities Company Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Underwriting Agreement

In connection with the Placing, our Company has entered into the Underwriting Agreement, amongst other parties, with the Underwriter. Under the Underwriting Agreement, subject to the conditions set out therein, the Underwriter agreed to procure subscribers for, or failing which, to itself subscribe as principal for, 60,000,000 initial Placing Shares being offered pursuant to the Placing. The Placing is conditional upon, among others: (1) the Stock Exchange granting the listing of and permission to deal in, on GEM, our Shares to be issued as described in this prospectus; and (2) the agreement on the Placing Price between our Company and the Sole Global Coordinator being entered into on or before the Price Determination Date. The Underwriting Agreement may be terminated for the reasons set out in "Grounds For Termination" in this section. Potential investors should be reminded that in the event that the Underwriter exercising their termination rights as referred to below, the Placing will not proceed.

GROUND FOR TERMINATION

The obligations of the Underwriter under the Underwriting Agreement will be subject to termination by notice in writing from the Sole Global Coordinator to our Company if, at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares commence on the GEM (which is currently expected to be on 9 September 2013):

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in this prospectus considered by the Sole Global Coordinator in its sole and absolute opinion to be material in relation to the Placing, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any estimates, forecasts, expressions of opinion, intention or expectation considered by the Sole Global Coordinator in its sole and absolute discretion to be material to the Placing expressed in this prospectus are not, in the sole and absolute opinion of the Sole Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator in its sole and absolute opinion to be material in the context of the Placing; or
 - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement; or

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- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors pursuant to the Underwriting Agreement; or
 - (v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any Group company which is considered by the Sole Global Coordinator in its sole and absolute opinion to be material to the Placing; or
 - (vi) any breach of any of the warranties in the Underwriting Agreement; or
 - (vii) approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued under the Placing is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) the Company withdraws the Prospectus (and/or any other documents used in connection with the contemplated subscription of the Placing Shares) or the Placing; or
 - (ix) any person (other than the Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriter (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, or representing national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, or a fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

UNDERWRITING

- (iii) any change in the general fund raising environment in Hong Kong or elsewhere;
or
- (iv) any new laws or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group company (the “Specific Jurisdictions”); or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), London, or the PRC or any other jurisdictions relevant to any Group Company or a disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC or any other jurisdiction relevant to any Group company; or
- (vi) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group company; or
- (vii) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group company; or
- (x) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company;
or
- (xi) the chairman or chief executive officer of our Company vacating his or her office;
or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

UNDERWRITING

- (xiii) a contravention by any Group company of the Companies Ordinance or any of the GEM Listing Rules or any other applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Placing Shares pursuant to the terms of the Placing; or
- (xv) non-compliance of this prospectus (and/or any other documents used in connection with the offering of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other laws applicable to the Placing; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other offer documents pursuant to the Companies Ordinance or the GEM Listing Rules; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group company or in respect of which any Group company is liable prior to its stated maturity; or
- (xviii) any loss or damage sustained by any Group company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition or an order for the winding-up or liquidation of any Group company or any composition or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution is passed for the winding-up of any Group company or a provisional liquidator, receiver or manager to take over all the appointment of or part of the assets or undertaking of any Group company or anything analogous thereto occurs in respect of any Group company,

which in each case or in aggregate in the sole and absolute opinion of the Sole Global Coordinator:

- (a) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group or any Group company or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Placing or the level of interest under the Placing; or
- (c) makes it or will make it inadvisable, inexpedient or impracticable for the Placing to proceed or to market the Placing; or
- (d) has or will have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

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UNDERTAKINGS

Each of the Controlling Shareholders jointly and severally undertake to and covenant with our Company, the Sole Sponsor and the Underwriter that:

- (a) he or it will not, and will procure that none of his or its associates or the companies controlled by him, her or it will, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six Month Period**”), sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the securities of the Company or any interests therein owned by him, her or it or any of their associates or in which he, she, or it or any of their associates is, directly or indirectly interested immediately after the completion of the Placing (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalization issue or scrip dividend or otherwise), or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as aforesaid (or any other shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalization issue or scrip dividend or otherwise); and

- (b) save with the prior written consent of the Sole Sponsor and the Sole Global Coordinator, and prior notification to Haitong Capital and the Sole Global Coordinator within a further six months commencing on the expiry of the First Six Month Period (the “**Second Six Month Period**”), he, she and it will not, and will procure that none of his, her or its associates or the companies controlled by him, her or it or any of their associates will sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any securities of the Company or any interests therein referred to in sub-clause (a) above or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by him, her or it or any of their associates which is the beneficial owner (directly or indirectly) of such securities of the Company or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of the Controlling Shareholders (together with his, her or its associates), either individually or taken together with the others, would, directly or indirectly, cease to be a Controlling Shareholder (within the meaning of the GEM Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her, it and/or any of their associates which owns such securities of the Company or interests as aforesaid.

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The Company will undertake to and covenant with the Sole Sponsor and the Underwriter that each of the Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor and the Underwriter that he, she or it will procure the Company that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriter), save pursuant to the Placing, the Capitalization Issue, the grant of any option under the Share Option Scheme, (a) within the First Six Month Period, the Company and its major subsidiaries will not, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, the Company or any of its major subsidiaries; and (b) at any time during the Second Six Month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in the Company or any of its major subsidiaries so as to result in any of the Controlling Shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a Controlling Shareholder (within the meaning of the GEM Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him, her or it or any of their associates which owns any Shares or the Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such major subsidiaries.

Each of the Company, the Controlling Shareholders and the executive Directors undertake to and covenant with the Sole Sponsor and the Underwriter that save with the prior approval of the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator, no subsidiaries will during the First Six Month Period purchase any Shares.

Without prejudice to the above, each of the Controlling Shareholders and executive Directors undertake and covenant with our Company, the Sole Sponsor and the Sole Global Coordinator that:

- (a) save with the prior written consent of the Sole Sponsor and the Sole Global Coordinator (such consent shall not be unreasonably withheld), during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is twelve months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interests therein owned by him, her or it or any of their associates or in which he, she or it or any of their associates is, directly or indirectly interested immediately following completion of the Placing (or any other Shares or interest in the Shares arising or deriving therefrom) or any share or interest in any company controlled by him, her or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other Shares or interest in the Shares arising or deriving therefrom); and
- (b) in the event that consent is granted by the Sole Sponsor and the Sole Global Coordinator, when he, she or it or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in sub-clause (a) above, he, she or it shall give prior written notice of not less than three business days to the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator giving

UNDERWRITING

details of the number of Shares, shares in the Company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledge or person (the “Mortgagee”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in sub-clause(a) above, he, she or it will immediately notify the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator as they may require.

The Company will undertake and covenant with the Sole Sponsor and the Sole Global Coordinator that the Company shall forthwith inform the Sole Sponsor and the Sole Global Coordinator and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and the Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

COMMISSION AND EXPENSES

The Underwriter is expected to receive an underwriting commission of 3.0% of the aggregate Placing Price of all the Placing Shares in accordance with the terms of the Underwriting Agreement, under which the Underwriter may pay any sub-underwriting or placing commission in connection with the Placing. The Sole Sponsor will, in addition, receive a combined sponsorship, financial advisory and documentation fee of an amount separately agreed between the Company and the Sole Sponsor. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Placing (assuming the Offer Size Adjustment Option is not exercised), are currently estimated to be approximately HK\$28.0 million in aggregate, assuming a Placing Price of HK\$0.8, being the midpoint of the indicative Placing Price range, which will be payable by us.

SOLE SPONSOR’S AND UNDERWRITER’S INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a combined sponsorship, financial advisory and documentation fee. The Underwriter will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission and expenses” in this section above.

Save as contemplated pursuant to the Underwriting Agreement, none of the Sole Sponsor and the Underwriter has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors are required under Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.9 per Placing Share (and is expected to be not less than HK\$0.7 per Placing Share). Subscribers, when subscribing for our Shares, shall pay the Placing Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. Assuming the Placing Price of HK\$0.9 or HK\$0.7 per Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$2,727.22 and HK\$2,121.17 for every board lot of 3,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Sole Global Coordinator on the Price Determination Date which is scheduled on or about Monday, 2 September 2013 (or such later time and/or date as agreed between our Company and the Sole Global Coordinator). If our Company and the Sole Global Coordinator are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Global Coordinator, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

If, the Sole Global Coordinator and with the consent of our Company consider it appropriate (for instance, if the level of interest is below that of the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m., Monday, 2 September 2013 cause to be published on the GEM website at www.hkgem.com and our Company's website at www.goldenmars.com notice of the reduction of the indicative Placing Price range.

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM website at www.hkgem.com and our Company's website at www.goldenmars.com at or before 9:00 a.m. Friday, 6 September 2013.

CONDITIONS OF THE PLACING

The Placing is conditional upon, among others:

- (1) the Stock Exchange granting the listing of and permission to deal in, on GEM, our Shares to be issued as described in this prospectus; and
- (2) the agreement on the Placing Price between our Company and the Sole Global Coordinator being entered into on or before the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

Our Company is initially offering 60,000,000 Placing Shares for subscription by way of the Placing, representing 25% of our Company's enlarged issued share capital at the time after completing the Placing.

Offer Size Adjustment Option

In addition, the Company has granted the Offer Size Adjustment Option, exercisable by the Underwriter on or before 5 September 2013, to require the Company to allot and issue up to 9,000,000 additional new Shares, representing 15% of the Shares initially available for subscription under the Placing, on the same terms as those applicable to the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Underwriter.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Underwriter to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the GEM website at www.hkgem.com.

If the Offer Size Adjustment Option is exercised in full, the additional 9,000,000 Shares and the Shares offered in the Placing will represent approximately 3.6% and 27.7% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future plans and use of proceeds".

Subject to the terms and conditions of the Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Underwriter.

The Underwriter or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy with professional, institutional and private investors anticipated to have a sizeable demand for the Placing Shares. Conditionally upon complying with the relevant rules and regulations, the Placing Shares can be placed with private investors in Hong Kong. Professional and/or institutional investors generally include dealers, brokers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules that not more than 50% of our Shares in public hands at the time of Listing will be owned by the three largest public shareholders.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 9 September 2013. Our Shares will be traded in board lot of 3,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

30 August 2013

The Directors
Goldenmars Technology Holdings Limited

Haitong International Capital Limited

Dear Sirs,

We report on the financial information of Goldenmars Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated and company balance sheets as at 31 March 2012 and 2013, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 August 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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. Pursuant to a group reorganisation as described in Note 1 (ii) of Section II headed "Group reorganisation" below, which was completed on 27 June 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 (ii) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

.....
PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1 (ii) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The accompanying financial information (the “Financial Information”) has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and on the basis set out in Note 2.1 of section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” (the “AG 3.340”) issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2.1 of Section II below, a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and 2013 and of the Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the consolidated financial information of the Group prepared by the directors of the Company as at 31 March 2012 and 2013, and for each of the years ended 31 March 2012 and 2013 (the "Financial Information").

(a) Consolidated Balance Sheets

	Section II	As at 31 March	
	<i>Note</i>	2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	64,048	60,305
Non-current deposits	9	<u>196</u>	<u>196</u>
		-----	-----
		64,244	60,501
Current assets			
Inventories	8	70,986	86,179
Trade receivables	9	20,957	5,698
Deposits, prepayments and other receivables	9	5,098	5,096
Amounts due from related parties	29	24,303	26,798
Cash and cash equivalents	10	<u>78,451</u>	<u>103,392</u>
		-----	-----
		199,795	227,163
		-----	-----
Total assets		<u><u>264,039</u></u>	<u><u>287,664</u></u>

I. FINANCIAL INFORMATION (CONTINUED)

	Section II <i>Note</i>	As at 31 March	
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	<i>11</i>	100	100
Other reserves	<i>12</i>	57,044	57,196
Retained earnings		<u>36,446</u>	<u>54,322</u>
Total equity		<u>93,590</u>	<u>111,618</u>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	<i>15</i>	1,129	–
Deferred tax liabilities	<i>16</i>	<u>327</u>	<u>15</u>
		<u>1,456</u>	<u>15</u>
Current liabilities			
Trade payables	<i>13</i>	4,303	1,772
Other payables and accrued expenses	<i>13</i>	2,686	3,534
Amounts due to related parties	<i>29</i>	13,081	13,066
Borrowings	<i>14</i>	142,970	154,637
Finance lease liabilities	<i>15</i>	1,106	1,130
Current income tax liabilities		<u>4,847</u>	<u>1,892</u>
		<u>168,993</u>	<u>176,031</u>
Total liabilities		<u>170,449</u>	<u>176,046</u>
Total equity and liabilities		<u>264,039</u>	<u>287,664</u>
Net current assets		<u>30,802</u>	<u>51,132</u>
Total assets less current liabilities		<u>95,046</u>	<u>111,633</u>

I. FINANCIAL INFORMATION (CONTINUED)

(b) Balance Sheets

	Section II <i>Note</i>	As at 31 March	
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Interests in subsidiaries	7	—	95,214
Total assets		<u>—</u>	<u>95,214</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	11	—	100
Other reserve	12	—	95,114
Accumulated losses		(63)	(65)
Total equity		<u>(63)</u>	<u>95,149</u>
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	29(d)	63	65
Total liabilities		<u>63</u>	<u>65</u>
Total equity and liabilities		<u>—</u>	<u>95,214</u>
Net current liabilities		<u>(63)</u>	<u>(65)</u>
Total assets less current liabilities		<u>(63)</u>	<u>95,149</u>

I. FINANCIAL INFORMATION (CONTINUED)

(c) Consolidated Income Statements

	Note	Year ended 31 March	
		2012 HK\$'000	2013 HK\$'000
Revenue	5	461,715	511,799
Cost of sales	18	<u>(415,916)</u>	<u>(461,990)</u>
Gross profit		45,799	49,809
Selling expenses	18	(4,316)	(3,399)
General and administrative expenses	18	(19,123)	(19,984)
Other income	21	3,893	352
Gain on disposal of property, plant and equipment	22	<u>59,834</u>	<u>200</u>
Operating profit		86,087	26,978
Finance costs	23	<u>(2,583)</u>	<u>(3,087)</u>
Profit before income tax		83,504	23,891
Income tax expense	24	<u>(7,004)</u>	<u>(6,015)</u>
Profit for the year attributable to equity holders of the Company		<u><u>76,500</u></u>	<u><u>17,876</u></u>
Earnings per share attributable to the equity holders of the Company (Expressed in HKD per share)			
Basic and diluted	26	<u><u>7.65</u></u>	<u><u>1.79</u></u>
Dividends	25	<u><u>59,892</u></u>	<u><u>14,830</u></u>

I. FINANCIAL INFORMATION (CONTINUED)

(d) Consolidated Statements of Comprehensive Income

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Comprehensive income		
Profit for the year	76,500	17,876
Other comprehensive income		
Currency translation differences	<u>1,510</u>	<u>152</u>
Total comprehensive income for the year attributable to equity holders of the Company	<u><u>78,010</u></u>	<u><u>18,028</u></u>

I. FINANCIAL INFORMATION (CONTINUED)

(e) Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company							
	Share Capital	Other reserves				Sub Total	Retained Earnings	Total
		Merger reserve	Capital reserve	Statutory reserve	Exchange reserve			
Note	HK\$'000	Note 12(a) HK\$'000	Note 12(b) HK\$'000	Note 12(c) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended								
31 March 2012								
Balance at 1 April 2011	100	50,374	2,480	-	1,638	54,492	20,880	75,472
Comprehensive income								
Profit for the year	-	-	-	-	-	-	76,500	76,500
Other comprehensive income								
Currency translation differences	-	-	-	-	1,510	1,510	-	1,510
Total comprehensive income	-	-	-	-	1,510	1,510	76,500	78,010
Transfer to statutory reserve	-	-	-	1,042	-	1,042	(1,042)	-
Transaction with owners								
Dividend relating to 2012	25	-	-	-	-	-	(59,892)	(59,892)
Total transaction with owners	-	-	-	-	-	-	(59,892)	(59,892)
Balance at 31 March 2012	100	50,374	2,480	1,042	3,148	57,044	36,446	93,590

I. FINANCIAL INFORMATION (CONTINUED)

	Attributable to equity holders of the Company							
	Share Capital	Other reserves				Sub Total	Retained Earnings	Total
		Merger reserve	Capital reserve	Statutory reserve	Exchange reserve			
Note	HK\$'000	Note 12(a) HK\$'000	Note 12(b) HK\$'000	Note 12(c) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended								
31 March 2013								
Balance at 1 April 2012	100	50,374	2,480	1,042	3,148	57,044	36,446	93,590
Comprehensive income								
Profit for the year	-	-	-	-	-	-	17,876	17,876
Other comprehensive income								
Currency translation differences	-	-	-	-	152	152	-	152
Total comprehensive income	-	-	-	-	152	152	17,876	18,028
Transaction with owners								
Dividend relating to 2013	25	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-	-
Balance at 31 March 2013	100	50,374	2,480	1,042	3,300	57,196	54,322	111,618

I. FINANCIAL INFORMATION (CONTINUED)

(f) Consolidated Statements of Cash Flows

		Year ended 31 March	
		2012	2013
	Note	HK\$'000	HK\$'000
Cash flows from operating activities			
Cash generated from operations	27	15,572	28,607
Income tax paid		(6,979)	(9,622)
Tax refund		—	321
		<u> </u>	<u> </u>
Net cash generated from operating activities		8,593	19,306
		<u>-----</u>	<u>-----</u>
Cash flows from investing activities			
Interest received		7	9
Purchase of property, plant and equipment	6	(3,134)	(352)
Proceeds from disposal of property, plant and equipment	27	21,185	200
		<u> </u>	<u> </u>
Net cash generated from/(used in) investing activities		18,058	(143)
		<u>-----</u>	<u>-----</u>
Cash flows from financing activities			
Interest paid		(2,583)	(3,087)
Prepayment of initial public offering ("IPO") expenses		(1,366)	(1,691)
Drawdown of bank borrowings		335,327	343,237
Repayment of bank borrowings		(360,821)	(331,570)
Repayment of finance lease liabilities		(1,080)	(1,105)
Decrease in amounts due to related parties		(1,012)	(15)
		<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities		(31,535)	5,769
		<u>-----</u>	<u>-----</u>
Net (decrease)/increase in cash and cash equivalents		(4,884)	24,932
Cash and cash equivalents at beginning of year		81,784	78,451
Effect of change in exchange rate		1,551	9
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	10	<u>78,451</u>	<u>103,392</u>

II. NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION AND GROUP REORGANISATION****(i) Corporate 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 address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Rooms 2901-03, 2905-08, 29th Floor, Enterprise Square Two, 3 Sheung Yeut Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of dynamic random-access memory ("DRAM") modules, universal serial bus ("USB") flash drives and other data memory products and trading of DRAM chips (the "Business"). The directors considered Mr. George Lu and Ms. Shen Wei, spouse of Mr. Lu, to be the ultimate controlling shareholders.

This Financial Information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

(ii) Group reorganisation

In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

- (a) On 4 January 2011, Great Success Global Investments Limited ("Great Success") was incorporated in the British Virgin Islands ("BVI"). On 10 February 2011, one share of US\$1 of Great Success was allotted to Forever Star Capital Limited ("Forever Star"), a company incorporated in the BVI which is wholly owned by the controlling shareholders.

On 10 January 2011, Treasure Fantasy Limited ("Treasure Fantasy") was incorporated in the BVI. 98 shares of Treasure Fantasy of US\$1 each were allotted to Ms. Shen Wei while 2 shares of US\$1 each were allotted to Nice Rate Limited ("Nice Rate"), a company wholly owned by Ms. Lau Wing Sze.

On 4 January 2011, Top Harvest Capital Limited ("Top Harvest") was incorporated in the BVI of which 100 shares of US\$1 each were being allotted to the controlling shareholders.

- (b) On 22 March 2011, Mr. George Lu and Ms. Shen Wei transferred their entire interests in Goldenmars HK, the major operating subsidiary of the Group, to Great Success in consideration of the issuance of 2 shares of US\$1 each by Great Success to Forever Star. Since then Goldenmars HK became a wholly-owned subsidiary of Great Success.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**1 GENERAL INFORMATION AND GROUP REORGANISATION (CONTINUED)****(ii) Group reorganisation (Continued)**

(c) Boda Technology (International) Limited ("Boda International"), another operating subsidiary of the Group was owned as to 98% by Ms. Shen Wei and 2% by Nice Rate. On 22 March 2011, Ms Shen Wei and Nice Rate transferred their respective shareholdings in Boda International to Treasure Fantasy in consideration of which 98 shares of US\$1 each of Treasury Fantasy were issued to Ms. Shen Wei and 2 shares of US\$1 each were issued to Nice Rate.

(d) **Incorporation of the Company and Golden Profit Global Trading Limited ("Golden Profit")**

On 23 February 2011, the Company was incorporated in the Cayman Islands. Upon incorporation, one share of par value HK\$0.01 was allotted to the initial subscriber and transferred to Forever Star on the same date.

Golden Profit, the intermediate holding company, was incorporated in the BVI on 16 November 2010, with one share of US\$1 being allotted to Forever Star upon incorporation.

(e) **Transfer of shares of all intermediate holding companies**

On 22 March 2011, the entire equity interests of Great Success, Treasure Fantasy and Top Harvest were transferred by their then shareholders to Golden Profit in consideration of issuance of 9,980 and 20 shares of US\$1 each by Golden Profit to Forever Star and Nice Rate, respectively. Since then Golden Profit became the intermediate holding company of the other subsidiaries of the Group.

(f) **Transfer of Golden Profit to the Company**

On 27 June 2012, the 9,980 shares in Golden Profit held by Forever Star and the 20 shares in Golden Profit held by Nice Rate were transferred to the Company, in consideration of the issue of 9,979,999 shares and 20,000 shares of HK\$0.01 each by the Company to Forever Star and Nice Rate, respectively. Upon completion of the transfer, the Company became the holding company of the companies now comprising the Group.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

1 GENERAL INFORMATION AND GROUP REORGANISATION (CONTINUED)

(ii) Group reorganisation (Continued)

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all being limited liability companies:

<u>Name</u>	<u>Place and date of incorporation/ establishment</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued, registered/ paid up capital</u>	<u>Effective interest held</u>	<u>Note</u>
Directly owned subsidiary:					
Golden Profit	BVI, 16 November 2010	Investment holding in Hong Kong ("HK")	10,000 ordinary shares of US\$1 each	100%	(a)
Indirectly owned subsidiaries:					
Great Success	BVI, 4 January 2011	Investment holding in HK	3 ordinary shares of US\$1 each	100%	(a)
Treasure Fantasy	BVI, 10 January 2011	Investment holding in HK	200 ordinary shares of US\$1 each	100%	(a)
Top Harvest	BVI, 4 January 2011	Property holding in HK	100 ordinary shares of US\$1 each	100%	(a)
Goldenmars HK	HK, 26 April 2005	Assembling and trading of electronic components and products in HK	43,000,000 ordinary shares of HK\$1 each	100%	(c)
Boda International	HK, 10 April 2007	Trading of electronic component and investment holding in the PRC	8,000,000 ordinary shares of HK\$1 each	100%	(c)
Bodatong Technology (Shenzhen) Company Limited	The People's Republic of China ("PRC"), 11 July 2007	Manufacturing and trading of electronic components in the PRC	Renminbi ("RMB") 10,000,000 registered capital	100%	(b)

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**1 GENERAL INFORMATION AND GROUP REORGANISATION (CONTINUED)****(ii) Group reorganisation (Continued)**

- (a) No audited financial statements were issued for these companies as they are not required to issue audited financial statements under the statutory requirements of their respective place of incorporation.
- (b) The statutory financial statements of this company for the years ended 31 December 2011 and 2012 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises applicable to the enterprises in the PRC and audited by 深圳皇嘉會計師事務所 (Wongga Partners Certified Public Accountants (SZ)), certified public accountants in the PRC.
- (c) The statutory financial statements of this company for the year ended 31 March 2012 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and audited by John Tam & Co, Certified Public Accountants in Hong Kong.

2 SUMMARY OF ACCOUNTING POLICIES**2.1 Basis of preparation**

Mr. George Lu and Ms. Shen Wei ("the Controlling Shareholders") jointly controlled the companies now comprising the Group before the Reorganisation and continues to control these companies after the Reorganisation. Pursuant to the Reorganisation, the Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation. The Reorganisation is merely a reorganisation of the Business with no change in management and the ultimate owners. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the historical carrying values of the Business for all periods presented.

The consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods and the Reorganisation has taken place since 1 April 2011.

The Financial Information has been prepared in accordance with HKFRS and under the historical cost convention.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

Other than Bodatong Technology (Shenzhen) Company Limited which is a company incorporated in the PRC with financial year end date of 31 December, all companies comprising the Group have adopted 31 March as their financial year end date.

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretation which are not yet effective for accounting periods beginning 1 April 2012 and have not been early adopted:

		Effective for the accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (Revised 2011)	Employee Benefits'	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 1 (Amendment)	Government Loans'	1 January 2013
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HK (IFRIC) – Int 21	Levies	1 January 2014
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to HKAS 32	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2015
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	1 January 2014
HKFRSs (Amendment)	Annual Improvements to HKFRSs	1 January 2013

Management is in the process of making an assessment of the impact of these new standards, amendments and interpretation but have considered on a preliminary basis that these standards will not have a significant impact on the Group's financial statements in the coming year.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.2 Subsidiaries****2.2.1 Consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations other than those carried out under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.2 Subsidiaries (Continued)****2.2.1 Consolidation (Continued)***(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Foreign currency translation*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information are presented in HK dollars, which is the Company's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

All foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within 'other income'.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in the other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.4 Property, plant and equipment

Land and buildings comprise mainly offices. Leasehold land classified as financial lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statements during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the lease terms
Leasehold improvements	5 years or over the remaining lease terms, whichever is a shorter period
Buildings	40 to 50 years or over the lease terms, whichever is a shorter period
Machineries	3 to 10 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.5 Impairment of investments in subsidiaries and non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets**2.6.1 Classification**

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, deposits, amounts due from related parties, and cash and cash equivalents in the consolidated balance sheets.

Loans and receivables are carried at amortised cost using the effective interest method.

2.6.2 Impairment of financial assets*Assets carried at amortised cost*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a receivables has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.6 Financial assets (Continued)****2.6.2 Impairment of financial assets (Continued)***Assets carried at amortised cost (Continued)*

Carrying amount of an impaired assets is reduced through the use of an allowance account, and the amount of loss is recognised in profit or loss, when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials and assembly cost. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or assembly service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Trade and other payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.12 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.14 Current and deferred income tax (Continued)****(b) Deferred income tax (Continued)***Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Deposits received in advance from customers for goods that have not been delivered are recognised as "Receipt in advance" in the balance sheet.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.16 Revenue recognition (Continued)****(b) Interest income**

Interest income represents bank interest income and is recognised on time-proportion basis using the effective interest method.

(c) Compensation income

Compensation is recognised when the right to receive the amount is established, provided that the amount can be measured reliably.

(d) Other service income

Assembly service income, freight income and repair and testing income are recognised when the related services are rendered.

2.17 Employee benefits**(a) Pension obligations**

The Group participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

In accordance with the rules and regulations in the PRC, the PRC based employees of the subsidiary participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the subsidiary and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in profit or loss as employee benefit expenses when they are incurred.

(b) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****2.18 Leases****(i) Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.20 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the respective shareholders of the group companies.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk*(i) *Foreign exchange risk*

The Group operates principally in HK and the PRC and is exposed to foreign exchange risk arising from various currencies, primarily with respect to the United States dollar ("US\$") and RMB. Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

As HK\$ is pegged to US\$, in the opinion of the directors, the Group does not have any significant foreign exchange risk with respect to US\$.

The Group is subject to foreign exchange risk of RMB in relation to its manufacturing function in the PRC. However, in the opinion of the directors, the exposure is not significant because raw materials costs that comprise the majority of the Group's production cost are mainly denominated in US\$.

(ii) *Price risk*

The Group is exposed to fluctuations in the market price of its products including integrated chips, DRAM and USB flash drives, the prices of which are influenced by global as well as regional supply and demand conditions. The Group is able to partially recover increase in costs from customers through price adjustments, which may partially mitigate the price risk. The Group has not used any derivative instruments to hedge such economic exposures.

(iii) *Cash flow interest rate risk*

The Group's interest rate risk arises mainly from bank borrowings. Borrowings carried at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Based on the sensitivity analysis performed by management, as at 31 March 2012 and 2013, if interest rates had been 100 basis points higher/lower on the Group's bank borrowings (net of bank deposits) with all other variable held constant, the profit for the year would have been HK\$757,000 and HK\$579,000 lower/higher, respectively.

(b) *Credit risk*

Credit risk is managed at group level. Credit risk primarily arises from trade receivables and other receivables, deposits, amounts due from related parties and cash and cash equivalents included in the consolidated balance sheets which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on liquid funds is limited because cash at banks are placed with reputable financial institutions in Hong Kong and the PRC which management believes are of sound credit quality and without major credit risk.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

For receivables from its related companies and its directors, the directors consider the Group's credit risk of these receivables to be minimal taking into account the financial position of the counterparts.

The Group has concentrations of credit risk which arise from trade receivables from its customers. Trade receivables from the Group's five largest customers in aggregate account for 93% and 74% of the Group's total trade receivables at 31 March 2012 and 2013 respectively. Management does not expect any losses from non-performance by these counterparties. The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

(c) Liquidity risk

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within twelve months other than borrowings and finance lease liabilities equal their carrying balances, as the impact of discounting is not significant.

	On demand	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2012					
Borrowings	143,562	-	-	-	143,562
Finance lease liabilities	-	1,144	1,143	-	2,287
Trade and other payables (excluding non-financial liabilities)	-	4,682	-	-	4,682
Amounts due to related parties	-	13,081	-	-	13,081
	<u>143,562</u>	<u>18,907</u>	<u>1,143</u>	<u>-</u>	<u>163,612</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Over 2 years HK\$'000	Total HK\$'000
As at 31 March 2013					
Borrowings	155,368	-	-	-	155,368
Finance lease liabilities	-	1,143	-	-	1,143
Trade and other payables (excluding non-financial liabilities)	-	4,503	-	-	4,503
Amounts due to related parties	-	13,066	-	-	13,066
	<u>155,368</u>	<u>18,712</u>	<u>-</u>	<u>-</u>	<u>174,080</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated balance sheets. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The gearing ratios as at 31 March 2012 and 2013 were as follows:

	As at 31 March	
	2012 HK\$'000	2013 HK\$'000
Borrowings (Note 14)	142,970	154,637
Finance lease liabilities (Note 15)	2,235	1,130
Amounts due to related parties (Note 29(c))	<u>13,081</u>	<u>13,066</u>
Total borrowings	158,286	168,833
Less: Cash and cash equivalents (Note 10)	<u>(78,451)</u>	<u>(103,392)</u>
Net debt	79,835	65,441
Total equity	<u>93,590</u>	<u>111,618</u>
Total capital	<u>173,425</u>	<u>177,059</u>
Gearing ratio	<u>46.0%</u>	<u>37.0%</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.2 Capital risk management (Continued)**

Decrease in gearing ratio during the Relevant Periods was mainly due to the decrease in net debt and the increase in total equity.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities including trade and other receivables, amounts due from related parties, cash and cash equivalents, trade and other payables, amounts due to related parties, bank borrowings and finance lease liabilities approximate their respective fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of inventories

The carrying value of inventory is reviewed by management at each reporting date to ensure that it is not recorded at a value higher than net realisable value. Management tests whether inventory suffered any impairment based on estimates of the net realisable value of the inventory. Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Management estimates the net realisable value for finished goods and raw materials based primarily on current market conditions and the historical experience of manufacturing and selling products of similar nature and make allowance if the net realisable value is lower than the cost. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Where the actual net realisable values are less than expected, an allowance may arise. Management will reassess the estimations at the balance sheet date.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

As at 31 March 2012 and 2013, the total amount of the provision was approximately HK\$346,000. If the financial conditions of customers of the Group were to change, resulting in an impairment of their ability to make payments, additional provision may be required.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)****(c) Useful lives and depreciation of property, plant and equipment**

The Group determines the estimated lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles.

The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Current and deferred income tax

The Group is principally subject to income taxes both in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to temporary differences are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

(e) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company ("CODM"). 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 sale of DRAM chips, DRAM modules and related products. CODM assesses the performance of this single segment based on revenue and operating result.

Revenue of the Group during the Relevant Periods is analysed as follows:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
DRAM chips	156,598	311,032
DRAM modules	266,097	173,346
USB flash drives	33,634	24,719
Provision of assembly services	4,227	1,866
Others	1,159	836
	<u>461,715</u>	<u>511,799</u>

All of the Group's sales were mostly originated in Hong Kong during the Relevant Periods.

Revenue from the top five customers is as follows:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from top five customers	282,448	305,543
Total revenue	461,715	511,799
Percentage	<u>61%</u>	<u>60%</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Year ended 31 March	
	2012	2013
Number of customers that individually accounted for more than 10% of the Group's revenue	<u>4</u>	<u>3</u>
Aggregate revenue of those customers over total revenue of the Group	<u>52%</u>	<u>42%</u>

For the year ended 31 March 2012, there were four customers that individually accounted for approximately 16%, 13%, 12% and 11% of the Group's revenue respectively.

For the year ended 31 March 2013, there were three customers that individually accounted for approximately 20%, 12% and 10% of the Group's revenue respectively.

The Group's total non-current assets are located in the following regions:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	53,705	51,388
The PRC	<u>10,539</u>	<u>9,113</u>
	<u>64,244</u>	<u>60,501</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machineries <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2012							
Opening net book amount	90,589	55	10,463	679	50	1,103	102,939
Additions	–	1,656	377	296	138	667	3,134
Disposals	(38,107)	(37)	–	–	(22)	–	(38,166)
Depreciation (<i>Note 18</i>)	(1,580)	(298)	(1,438)	(332)	(44)	(580)	(4,272)
Exchange realignment	–	–	379	22	–	12	413
Closing net book amount	<u>50,902</u>	<u>1,376</u>	<u>9,781</u>	<u>665</u>	<u>122</u>	<u>1,202</u>	<u>64,048</u>
At 31 March 2012							
Cost	52,306	1,656	13,073	1,384	159	3,109	71,687
Accumulated depreciation	<u>(1,404)</u>	<u>(280)</u>	<u>(3,292)</u>	<u>(719)</u>	<u>(37)</u>	<u>(1,907)</u>	<u>(7,639)</u>
Net book amount	<u>50,902</u>	<u>1,376</u>	<u>9,781</u>	<u>665</u>	<u>122</u>	<u>1,202</u>	<u>64,048</u>
Year ended 31 March 2013							
Opening net book amount	50,902	1,376	9,781	665	122	1,202	64,048
Additions	–	–	306	46	–	–	352
Depreciation (<i>Note 18</i>)	(1,404)	(334)	(1,513)	(325)	(29)	(556)	(4,161)
Exchange realignment	–	–	63	2	–	1	66
Closing net book amount	<u>49,498</u>	<u>1,042</u>	<u>8,637</u>	<u>388</u>	<u>93</u>	<u>647</u>	<u>60,305</u>
At 31 March 2013							
Cost	52,306	1,656	13,379	1,430	159	3,109	72,039
Accumulated depreciation	<u>(2,808)</u>	<u>(614)</u>	<u>(4,742)</u>	<u>(1,042)</u>	<u>(66)</u>	<u>(2,462)</u>	<u>(11,734)</u>
Net book amount	<u>49,498</u>	<u>1,042</u>	<u>8,637</u>	<u>388</u>	<u>93</u>	<u>647</u>	<u>60,305</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's interests in leasehold properties are analysed as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	50,902	49,498

Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statements as follows:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Cost of sales	1,212	1,658
General and administrative expenses	3,060	2,503
	<u>4,272</u>	<u>4,161</u>

Machineries include the following amounts where the Group is a lessee under a finance lease of two years:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Cost – capitalised finance leases	3,900	3,900
Accumulated depreciation	(402)	(743)
	<u>3,498</u>	<u>3,157</u>

As at 31 March 2012 and 2013, the Group's bank loans were secured by the entire leasehold properties of the Group.

7 INTERESTS IN SUBSIDIARIES – THE COMPANY

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Unlisted investments, at cost (<i>Note</i>)		95,214

Note: Unlisted investments in subsidiaries are stated at the carrying amount of the Company's interests in the net assets value of the subsidiaries at the date of the Reorganisation on 27 June 2012.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

8 INVENTORIES

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Raw materials	56,679	80,709
Work-in-progress	5,476	1,393
Finished goods	10,087	6,515
	<u>72,242</u>	<u>88,617</u>
Less: provision for impairment of inventories	<u>(1,256)</u>	<u>(2,438)</u>
	<u><u>70,986</u></u>	<u><u>86,179</u></u>

The cost of inventories recognised as expenses and included in cost of sales amounted to HK\$410,851,000 and HK\$452,367,000 for the years ended 31 March 2012 and 2013 respectively.

Movements in provision for impairment of inventories are as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
At beginning of the year	7,945	1,256
– Provision for impairment of inventories	763	1,674
– Reversal of provision for impairment of inventories (<i>Note</i>)	(3,155)	–
– Inventory write-down	<u>(4,297)</u>	<u>(492)</u>
At end of the year	<u><u>1,256</u></u>	<u><u>2,438</u></u>

Note: For the year ended 31 March 2012, the Group reversed previously inventories write-down of HK\$3,155,000 as the Group has sold all those goods above the written down value. The amount reversed has been included in “cost of sales” in the consolidated income statements.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

9 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Non-current		
Non-current deposits	196	196
	<u>196</u>	<u>196</u>
Current		
Trade receivables	21,303	6,044
Less: provision for impairment	(346)	(346)
	<u>20,957</u>	<u>5,698</u>
Trade receivables	20,957	5,698
	<u>20,957</u>	<u>5,698</u>
Deposits	211	368
Prepayments	310	395
Prepaid IPO expenses	2,350	4,041
Value added tax receivables	1,165	183
Compensation income receivables	936	–
Other receivables	126	109
	<u>126</u>	<u>109</u>
Deposits, prepayments and other receivables	5,098	5,096
	<u>5,098</u>	<u>5,096</u>

The Directors consider that the carrying amounts of trade receivables and deposits, prepayments and other receivables approximate their fair values as at 31 March 2012 and 2013 respectively.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

9 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 60 days. The aging analysis of trade receivables based on invoice dates at the balance sheet dates is as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
1 – 30 days	20,320	5,319
31 – 60 days	567	24
61 – 90 days	12	313
Over 90 days	404	388
	<u>21,303</u>	<u>6,044</u>

As at 31 March 2012 and 2013, trade receivables of approximately HK\$15,924,000 and HK\$2,810,000 respectively, were past due but not impaired. These relate to a few customers with no recent history of default. Based on historic default rates, the Group believes that no impairment provision is necessary. The aging analysis of these receivables is as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
1 – 30 days	15,305	2,445
31 – 60 days	549	10
61 – 90 days	12	313
Over 90 days	58	42
	<u>15,924</u>	<u>2,810</u>

As at 31 March 2012 and 2013, trade receivables of HK\$346,000 were considered to be impaired and were fully provided for. These trade receivables were past due for over 90 days and are not expected to be recoverable.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

9 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
At beginning of the year	1,000	346
Reversal of provision for impairment of trade receivables (<i>Note 18</i>)	(654)	—
At end of the year	<u>346</u>	<u>346</u>

The maximum exposures of the Group to credit risk as at 31 March 2012 and 2013 were the carrying value of trade receivables mentioned above.

The Group's trade receivables are mostly denominated in US\$.

Deposits and other receivables as at 31 March 2012 and 2013 are denominated in the following currencies:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
HK\$	1,469	489
RMB	<u>1,165</u>	<u>367</u>
	<u>2,634</u>	<u>856</u>

The Directors consider the balances of deposits and other receivables are neither past due nor impaired.

The Group does not hold any collateral as security for trade receivables, deposits and other receivables.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

10 CASH AND CASH EQUIVALENTS

As at 31 March 2012 and 2013, cash and cash equivalents are denominated in the following currencies:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Cash on hand		
RMB	84	34
HK\$	13	1
	<u>97</u>	<u>35</u>
Cash at banks		
HK\$	1,903	1,893
RMB	656	1,251
US\$	75,795	100,213
	<u>78,354</u>	<u>103,357</u>
	<u><u>78,451</u></u>	<u><u>103,392</u></u>

The effective interest rate on cash at bank was 0.01% per annum during the years ended 31 March 2012 and 2013.

The conversion of bank and cash balances denominated in RMB into foreign currencies and the remittance of these deposits or cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 March 2012 and 2013, the Group's cash at banks of HK\$656,000 and HK\$1,251,000 respectively were deposited in banks in the PRC.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

11 SHARE CAPITAL

The Group and the Company

Authorised shares:

The Company was incorporated on 23 February 2011 with an authorised share capital of HK\$50,000 divided by 5,000,000 shares of HK\$0.01 each. Movement in authorised shares during the Relevant Periods is as follows:

	Number of authorised shares
As at 23 February 2011 (date of incorporation)	5,000,000
Increase in number of authorised shares	<u>7,995,000,000</u>
As at 31 March 2012 and 2013	<u><u>8,000,000,000</u></u>

Issued shares:

	Number of shares issued and fully paid	Share capital HK'000
As at 23 February 2011 (date of incorporation)	–	–
Issue of one share upon incorporation to Forever Star (<i>Note (a)</i>)	<u>1</u>	<u>–</u>
As at 31 March 2012	1	–
Issue of shares to Forever Star (<i>Note (b)</i>)	9,979,999	100
Issue of shares to Nice Rate (<i>Note (c)</i>)	<u>20,000</u>	<u>–</u>
As at 31 March 2013	<u><u>10,000,000</u></u>	<u><u>100</u></u>

Notes:

- (a) Upon the incorporation of the Company, one share was allotted and issued at par to Forever Star.
- (b) On 27 June 2012, 9,979,999 shares were allotted and issued at par value HK\$0.01 each to Forever Star at consideration of HK\$99,800.
- (c) On 27 June 2012, 20,000 shares were allotted and issued at par value HK\$0.01 each to Nice Rate at consideration of HK\$200.

Refer to Note 1(ii) for details of the Reorganisation.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

12 OTHER RESERVES

(a) Merger reserve

The Group's merger reserve as at 31 March 2012 and 2013 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 International and contributed to the Group at no cost prior to 1 April 2011.

(c) Statutory reserve

The Company's subsidiary in the 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 fund 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 fund after such issue is no less than 25% of share capital of the PRC subsidiary.

(d) Other reserve

The Company's other reserve represents the difference between the excess of the nominal value of the Company shares issued and the aggregate net asset value of the subsidiaries acquired pursuant to the Reorganisation.

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Trade payables	4,303	1,772
Other payables and accrued expenses:		
Accrued expenses	379	2,731
Receipt in advance	2,307	803
	2,686	3,534
Total	6,989	5,306

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

Payment terms granted by suppliers are mainly on credit. The credit period ranges from 30 to 60 days after the end of the month in which the relevant purchases occurred.

The aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	2,178	113
31 – 60 days	64	20
61 – 90 days	589	659
Over 90 days	1,472	980
	<u>4,303</u>	<u>1,772</u>

Trade payables and accrued expenses of the Group are denominated in the following currencies:

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	3,666	1,075
RMB	808	1,513
HK\$	208	1,915
	<u>4,682</u>	<u>4,503</u>

14 BORROWINGS

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	30,777	25,170
Trust receipt loans	112,193	129,467
	<u>142,970</u>	<u>154,637</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

14 BORROWINGS (CONTINUED)

The maturities of the borrowings at the respective balance sheet dates in accordance with the scheduled repayment dates are as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Bank loans		
Within one year	5,708	4,313
Between one and two years	4,389	3,456
Between two and five years	7,715	6,233
Over five years	12,965	11,168
	<u>30,777</u>	<u>25,170</u>
Trust receipt loans		
Within one year	112,193	129,467
	<u>112,193</u>	<u>129,467</u>

Term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time has been classified as a current liability irrespective of the probability that the lender will invoke the clause without cause. As at 31 March 2012 and 2013, the Group's bank loans that were due for more than one year contain such repayment on demand clauses and were therefore classified under current liabilities.

As at 31 March 2012 and 2013, the weighted average effective interest rate on borrowings was 1.7% and 2.1% per annum respectively.

The Group's bank loans are secured by the Group's leasehold properties (Note 6), personal guarantee given by a director, and properties of two related companies (Note 29).

Borrowings of the Group are denominated in the following currencies:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
HK\$	30,777	25,170
US\$	112,193	129,467
	<u>142,970</u>	<u>154,637</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

15 FINANCE LEASE LIABILITIES

At 31 March 2012 and 2013, the Group's finance lease liabilities were repayable as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
No later than 1 year	1,144	1,143
Later than 1 year and no later than 5 years	1,143	–
	<u>2,287</u>	<u>1,143</u>
Future finance charges on finance leases	(52)	(13)
	<u>2,235</u>	<u>1,130</u>
Present value of finance lease liabilities	<u>2,235</u>	<u>1,130</u>
The present value of finance lease liabilities:		
No later than 1 year	1,106	1,130
Later than 1 year and no later than 5 years	1,129	–
	<u>2,235</u>	<u>1,130</u>

The above finance lease liabilities are denominated in HK\$.

16 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
– Deferred tax liabilities to be recovered after more than 12 months	272	–
– Deferred tax liabilities to be recovered within 12 months	55	15
	<u>327</u>	<u>15</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

16 DEFERRED INCOME TAX (CONTINUED)

The movement on the deferred income tax is as follows:

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
At beginning of the year	91	327
Charged/(credited) to consolidated income statements (<i>Note 24</i>)	236	(312)
At end of the year	<u>327</u>	<u>15</u>

Movements of deferred tax assets:

	Provisions	
	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
At beginning of the year	(165)	–
Charged to consolidated income statements	165	–
At end of the year	<u>–</u>	<u>–</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

16 DEFERRED INCOME TAX (CONTINUED)

Movements of deferred tax liabilities:

	Accelerated tax depreciation	
	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	256	327
Charged/(credited) to consolidated income statements	71	(312)
At end of the year	327	15

As at 31 March 2012 and 2013, deferred income tax liabilities of approximately HK\$566,000 and HK\$404,000 respectively have not been recognised for withholding tax that would be payable on the unremitted earnings of the subsidiary in the PRC, as the Directors do not intend to declare any dividends out of those unremitted earnings for the subsidiary. Accordingly, such temporary differences are not expected to be reversed in the foreseeable future. At 31 March 2012 and 2013, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK\$11,320,000 and HK\$8,080,000 respectively.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables		
Assets as per consolidated balance sheets		
Trade receivables, deposits and other receivables, excluding prepayments	23,591	6,554
Amounts due from related parties	24,303	26,798
Cash and cash equivalents	78,451	103,392
	126,345	136,744

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

17 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at 31 March	
	2012	2013
	HK\$'000	HK\$'000
Other financial liabilities at amortised cost		
Liabilities as per consolidated balance sheets		
Trade and other payables (excluding non-financial liabilities)	4,682	4,503
Amounts due to related parties	13,081	13,066
Borrowings	142,970	154,637
	<u>160,733</u>	<u>172,206</u>

18 EXPENSES BY NATURE

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

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Cost of inventories sold	410,851	452,367
(Reversal of)/provision for impairment of inventories (<i>Note 8</i>)	(2,392)	1,674
Auditor's remuneration	447	1,346
Depreciation of property, plant and equipment (<i>Note 6</i>)	4,272	4,161
Advertising expenses	679	844
Freight and transportation expense	2,078	1,271
Professional fee in respect of the IPO exercise	5,681	6,918
Other legal and professional fees	218	88
Employee benefit expenses (<i>Note 19</i>)	11,663	11,237
Reversal of impairment of trade receivables (<i>Note 9</i>)	(654)	–
Commission expense	99	25
Operating lease rentals of premises	965	1,125
Utilities expense	704	620
Others	4,744	3,697
	<u>439,355</u>	<u>485,373</u>
Total	<u>439,355</u>	<u>485,373</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

19 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Wages and salaries	11,260	10,816
Pension costs – defined contribution plans	403	421
	<u>11,663</u>	<u>11,237</u>

20 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' remuneration

The remuneration of the directors for the Relevant Periods are set out below:

Year ended 31 March 2012	Fee HK\$'000	Salary HK\$'000	Retirement	Total HK\$'000
			benefit-defined contribution scheme HK\$'000	
<i>Name of directors (Note (i))</i>				
<i>Executive directors</i>				
Mr. George Lu	–	600	12	612
Ms. Lau Wing Sze	–	389	12	401
Ms. Shen Wei	–	–	–	–
	<u>–</u>	<u>989</u>	<u>24</u>	<u>1,013</u>
<i>Non-executive directors</i>				
Mr. Loo Hong Shing, Vincent	–	–	–	–
Mr. Pang Chung Fai Benny	–	–	–	–
Mr. Wan Tak Shing	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (Continued)

Year ended 31 March 2013	Fee HK\$'000	Salary HK\$'000	Retirement benefit-defined contribution scheme HK\$'000	Total HK\$'000
<i>Name of directors (Note(i))</i>				
<i>Executive directors</i>				
Mr. George Lu	–	600	15	615
Ms. Lau Wing Sze	–	412	15	427
Ms. Shen Wei	–	–	–	–
	<u>–</u>	<u>1,012</u>	<u>30</u>	<u>1,042</u>
<i>Non-executive directors</i>				
Mr. Loo Hong Shing, Vincent	–	–	–	–
Mr. Pang Chung Fai, Benny	–	–	–	–
Mr. Wan Tak Shing	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note:

- (i) No directors waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Directors	1,013	1,042
Employees	1,468	1,745
	<u>2,481</u>	<u>2,787</u>

Information relating to the remuneration of the directors has been disclosed in Note 20(a) above. Details of the remunerations of the remaining highest paid non-director individuals during the Relevant Periods are set out below:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Basic salaries	1,420	1,701
Pension costs – defined contribution plan	48	44
	<u>1,468</u>	<u>1,745</u>

The number of highest paid non-director individuals whose remunerations for the Relevant Periods fell within the following bands:

Emolument Bands	Year ended 31 March	
	2012	2013
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During the Relevant Periods, no emoluments have been paid to the directors of the Company or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

21 OTHER INCOME

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Compensation income	3,120	–
Freight income	369	101
Finance income	7	9
Exchange gains/(losses), net	397	(255)
Repair and testing income	–	395
Others	–	102
	<u> </u>	<u> </u>
Total	<u> 3,893</u>	<u> 352</u>

Compensation income for the year ended 31 March 2012 represented an amount received/receivable from a supplier as compensation for defective products.

22 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

In May 2011, the Group disposed of a property to Deluxe More Capital Limited, a company beneficially owned by the Controlling Shareholders, at consideration of HK\$98,000,000, resulting in gain of approximately HK\$59,834,000 (Notes 27(b) and 29(b)).

Gain on disposal of HK\$200,000 for the year ended 31 March 2013 represented disposal of a motor vehicle to a third party during the year.

23 FINANCE COSTS

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Finance costs		
– Interest expense on bank borrowings	2,520	3,052
– Interest expense on finance lease liabilities	63	35
	<u> </u>	<u> </u>
	<u> 2,583</u>	<u> 3,087</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

24 INCOME TAX EXPENSE

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	6,362	6,648
– PRC Enterprise Income Tax	406	–
Over-provision in prior years	–	(321)
Deferred income tax		
– Hong Kong profits tax (<i>Note 16</i>)	236	(312)
	<u>7,004</u>	<u>6,015</u>

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

Hong Kong profits tax has been provided for at the rate of 16.5% for the Relevant Periods on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subjected to PRC Enterprise Income tax at the rate of 25% for the Relevant Periods.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Profit before income tax	<u>83,504</u>	<u>23,891</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	14,422	4,185
Tax effects of:		
– Expenses not deductible	1,311	1,007
– Income not subject to taxation	(9,132)	(33)
– Tax losses for which no deferred income tax was recognised	403	1,177
– Over-provision in prior year	–	(321)
Tax charge	<u>7,004</u>	<u>6,015</u>
Effective tax rate	<u>8.4%</u>	<u>25.2%</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

25 DIVIDENDS

Goldenmars HK, a subsidiary of the Group, declared dividends to its then shareholders totalling HK\$59,892,000 for the year ended 31 March 2012.

On 21 August 2013, the Company declared a special dividend amounting to HK\$14,830,000 to its existing shareholders. Such dividend will be reflected in the Group's financial statements for the year ending 31 March 2014.

26 EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company for the years ended 31 March 2012 and 2013 and on the assumption that 10,000,000 shares issued after the completion of the Reorganisation were deemed to have been issued since 1 April 2011.

	Year ended 31 March	
	2012	2013
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>76,500</u>	<u>17,876</u>
Adjusted weighted average number of shares in issue	<u>10,000,000</u>	<u>10,000,000</u>
Basic and diluted earnings per share (<i>HK\$</i>)	<u>7.65</u>	<u>1.79</u>

Diluted earnings per share is equal to basic earnings per share as there was no diluted potential share outstanding for the Relevant Periods.

The basic earnings per share and diluted earnings per share as presented on the consolidated income statements have not taken into account the proposed capitalisation issue as described in Note 30.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

27 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from/(used in) operations:

	<i>Note</i>	Year ended 31 March	
		2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax		83,504	23,891
Adjustments for:			
Depreciation	6	4,272	4,161
(Reversal of)/provision for impairment of inventories, net	8	(2,392)	1,674
Reversal of impairment of trade receivables	9	(654)	–
Gain on disposal of property, plant and equipment		(59,834)	(200)
Exchange (gains)/losses, net		(397)	96
Finance income	21	(7)	(9)
Finance costs	23	2,583	3,087
Changes in working capital:			
– Inventories		(17,238)	(16,867)
– Trade receivables		20,016	15,259
– Deposits, prepayments and other receivables		6,137	1,693
– Amounts due from related parties		(927)	(2,495)
– Trade payables		(11,835)	(2,531)
– Other payables and accrued expenses		(7,656)	848
		<u>15,572</u>	<u>28,607</u>

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount of property, plant and equipment disposed (<i>Note 6</i>)	38,166	–
Gain on disposal of property, plant and equipment	<u>59,834</u>	<u>200</u>
Proceeds from disposal of property, plant and equipment	<u>98,000</u>	<u>200</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

27 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Settled by:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Cash proceeds	21,185	200
Included in amount due from related parties	16,923	–
Offsetting of dividend payable to the Controlling Shareholders	59,892	–
	<u>98,000</u>	<u>200</u>
Proceeds from disposal of property, plant and equipment	<u>98,000</u>	<u>200</u>

28 COMMITMENTS

(a) Operating lease commitments

The Group leases warehouses and production plant in the PRC under non-cancellable operating lease agreements. The lease terms are five years and the majority of lease agreements are renewable at the end of the period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Not later than 1 year	550	629
Later than 1 year and not later than 5 years	2,060	1,729
	<u>2,610</u>	<u>2,358</u>

(b) Capital commitments

There is no significant capital commitment as at 31 March 2012 and 2013.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

- (a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Forever Star Capital Limited	Controlled by the Controlling Shareholders
Wider Technology Limited	Controlled by the Controlling Shareholders
Winston Technology HK Limited	Controlled by the Controlling Shareholders
Deluxe More Capital Limited	Controlled by the Controlling Shareholders
SunluTech Inc.	A company owned by a close family member of the Controlling Shareholders

- (b) Transactions with related parties:

The followings transactions were undertaken by the Group with related parties during the Relevant Periods:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of raw materials from a related company (<i>Note i</i>)		
– SunluTech Inc.	277	–
Disposal of a property to a related company (<i>Note ii</i>)		
– Deluxe More Capital Limited	98,000	–

Notes:

- (i) Purchases of raw materials from a related company were carried out in the normal course of business at mutually agreed prices and terms.
- (ii) Disposal of a property to a related company was charged at considerations based on mutually agreed prices and terms.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances:

The Group

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Amounts due from related parties		
Amounts due from related companies		
– SunluTech Inc.	–	–
– Wider Technology Limited	92	92
– Deluxe More Capital Limited	18,639	21,052
	<u>18,731</u>	<u>21,144</u>
Amounts due from a shareholder		
– Forever Star Capital Limited	84	86
Amount due from a director		
– Ms. Shen Wei	5,488	5,568
Total	<u>24,303</u>	<u>26,798</u>

The maximum outstanding balances during the Relevant periods were as follows:

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum outstanding balance due from:		
– SunluTech Inc.	2,043	–
– Wider Technology Limited	92	92
– Deluxe More Capital Limited	18,639	21,052
– Forever Star Capital Limited	84	86
– Ms. Shen Wei	5,488	5,568
	<u>24,303</u>	<u>26,798</u>

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances:

The Group

	As at 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
(ii) Amounts due to related parties		
– Winston Technology HK Limited	78	78
– Mr. George Lu	13,003	12,988
	<u>13,081</u>	<u>13,066</u>

The balances are denominated in HK\$, unsecured, interest free and repayable on demand. The fair values of these balances approximate their carrying values.

(d) The amount due to a subsidiary is unsecured, interest-free and repayable on demand. The balance is denominated in HK\$.

(e) Key management compensation

	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	2,360	2,154
Pension costs – defined contribution plan	50	62
	<u>2,410</u>	<u>2,216</u>

(f) Pledge of assets from related parties

As at 31 March 2012, bank borrowing of HK\$135,226,000 was secured by, among others, properties owned by Wider Technology Limited and Deluxe More Capital Limited. As at 31 March 2013, bank borrowing of HK\$86,630,000 was secured by, among others, properties owned by Deluxe More Capital Limited. Such pledges will be released upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

II. NOTES TO THE FINANCIAL INFORMATION (CONTINUED)**30 SUBSEQUENT EVENT**

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 31 March 2013:

- (i) By a shareholders' resolution dated 21 August 2013, the Company conditionally adopted a share option scheme ("the Scheme") under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.
- (ii) By a shareholders' resolution dated 21 August 2013 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 170,000,000 shares, credited as fully paid to the existing shareholders of the Company.
- (iii) On 21 August 2013, the Company declared a special dividend amounting to HK\$14,830,000 to its existing shareholders. Such dividend will be reflected in the Group's financial statements for the year ending 31 March 2014.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of the Group attributable to the equity holders of the Company as if the Placing had taken place on 31 March 2013 assuming the Offer Size Adjustment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2013 or at any future dates following the Placing.

	Unadjusted audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2013 <i>HK\$'000</i>	Estimated net proceeds from the Placing <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per share <i>HK\$</i>
Based on an Placing Price of HK\$0.7 per share	111,618	28,059	139,677	0.58
Based on an Placing Price of HK\$0.9 per share	111,618	39,759	151,377	0.63

Notes:

- (1) The unadjusted audited consolidated net tangible assets attributable to the equity holders of the Company as of 31 March 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company of HK\$111,618,000.
- (2) The estimated net proceeds from the Placing are based on the indicative Placing Prices of HK\$0.7 per Share and HK\$0.9 per Share after deduction of the underwriting commission and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustment referred to in Note 2 above and on the basis of 240,000,000 Shares to be in issue immediately upon the completion of the Placing but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme.
- (4) As of 31 July 2013, the Group's property interests were valued by DTZ Debenham Tie Leung Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix III — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value, is approximately HK\$16.5 million. Such revaluation surplus has not been included in the Group's consolidated financial information as of 31 March 2013 and will not be included in the Group's financial statements for the year ended 31 March 2013. The above adjustment does not take into account the above revaluation surplus. Had the property interests been stated at such valuation, an additional depreciation of approximately HK\$0.5 million per annum would be charged against the consolidated income statement.
- (5) The unaudited pro forma financial information has not taken into account dividends declared by the Company amounting to HK\$14,830,000 on 21 August 2013.
- (6) No adjustment has been made to reflect any trading result or other transactions entered into by the Group subsequent to 31 March 2013.

B. LETTER FROM REPORTING ACCOUNTANT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED
IN A PROSPECTUS****TO THE DIRECTORS OF GOLDENMARS TECHNOLOGY HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Goldenmars Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 August 2013, in connection with the placing of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the placing of shares on the Group's financial position as at 31 March 2013 as if the placing of shares had taken place at 31 March 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 March 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the placing of shares at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, 30 August 2013

The following is the text of a letter, summary of value and valuation certificates, prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with its valuation as at 31 July 2013 of the property interests of our Group.



Room 1601, 16th Floor,
Jardine House,
1 Connaught Place,
Central, Hong Kong

30 August 2013

The Directors
Goldenmars Technology Holdings Limited
29/F, Enterprise Square Two,
3 Sheung Yuet Road
Kowloon Bay
Kowloon

Dear Sirs,

INSTRUCTION, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to carry out market valuations of the properties held by Goldenmars Technology Holdings Limited (the “Company”) or its subsidiaries (hereinafter referred to as the “Group”) in Hong Kong and the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the values of the properties as at 31 July 2013 (the “date of valuation”).

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the properties, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market made by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Unless otherwise stated, in the course of our valuation of the property situated in the PRC, we have relied on the advice given by the Group or the Group's legal adviser, AllBright Law Offices, on the PRC laws, regarding the title to the property in the PRC and the Group's interest in the property in the PRC.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

TITLE INVESTIGATION

We have caused searches to be made at the Land Registry in respect of the Hong Kong property. We have not been able to conduct title searches of the property in other jurisdictions but we have made reference to the copies of the title documents which have been made available to us by the Group. However, we have not searched the original documents to verify ownership or to verify any amendments to any documents of the property. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

METHOD OF VALUATION

In valuing the property in Group I which is owned and occupied by the Group in Hong Kong, we have adopted the direct comparison method by marking reference to comparable sales evidences as available in the market.

The properties in Group II which are leased to the Group in the PRC are considered to have no commercial value due to the prohibitions against assignment of the properties or otherwise due to lack of substantial profit rents.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and its legal adviser on the PRC laws and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, identification of land and buildings, tenure, building specifications, particulars of occupancy, floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided. We were also advised by the Group that no material facts have been omitted from the information supplied.

SITE INSPECTION

Our DTZ Hong Kong Office valuer Angelina Kwok and Shenzhen Office valuer Candy Gan inspected the exterior and where possible the interior of the properties in August 2013. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor (General Practice)
M.R.I.C.S., M.H.K.I.S.
Registered China Real Estate Appraiser
Senior Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 27 years' experience in valuation of properties in Hong Kong and the PRC.

Summary of Valuations

Property	Market value in existing state as at 31 July 2013 <i>HK\$</i>	Interest attributable to the Company %	Market value in existing state as at 31 July 2013 attributable to the Company <i>HK\$</i>
Group I – Property owned and occupied by the Group in Hong Kong			
1. Units 1, 2, 3, 5, 6, 7, and 8 on 29th Floor and Parking Space No. P8 on 2nd Floor and Parking Space Nos. P10, P12 and P14 on 5th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon	66,000,000	100	66,000,000
		Sub-total:	66,000,000
Group II – Properties leased to the Group in the PRC			
2. The 4th and 5th floors of Block No. B17, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC	No commercial value	100	No commercial value
3. The 4th floor of Block No. A18, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC	No commercial value	100	No commercial value
		Sub-total:	No commercial value
		Grand-total:	66,000,000

VALUATION CERTIFICATE

Group I – Property owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
1. Units 1, 2, 3 5, 6, 7 and 8 on 29th Floor and Parking Space No. P8 on 2nd Floor and Parking Space Nos. P10, P12 and P14 on 5th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon	The property comprises the whole floor space on the 29th floor and 4 private parking spaces on the 2nd and 5th floors of a 27-storey industrial/office building erected over a 6-storey car parking podium. The development was completed in 2001.	The property is currently occupied by the Group as an ancillary office.	HK\$66,000,000
728/33578th shares of and in New Kowloon Inland Lot No. 6204	The property has a gross floor area of approximately 9,420 sq.ft. (875.14 sq.m.), excluding the area of the parking spaces. The property is held from the Government for a term of 50 years from 2 July 1998. The current Government Rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Top Harvest Capital Limited.
- (2) The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited.
- (3) The property is zoned for "Other Specified Uses" under Ngau Tau Kok & Kowloon Bay Outline Zoning Plan No. S/ K13/27.

VALUATION CERTIFICATE

Group II – Properties leased to the Group in the PRC

Property	Description and tenancy particulars	Market value in existing state as at 31 July 2013
<p>2. The 4th and 5th floors of Block No. B17, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市寶安區西鄉街道恒豐工業城新寶匯工業區B17棟四至五樓)</p>	<p>The property comprises two industrial units on the 4th and 5th floors of a 5-storey industrial complex building completed in 2004.</p> <p>The property has a gross floor area of approximately 2,842 sq m and is currently occupied by the Group for industrial use.</p> <p>The property is leased from an independent party, to Bodatong Technology (Shenzhen) Co., Ltd. (博達通科技(深圳)有限公司) for a term from 1 May 2011 to 31 December 2016 at a monthly rent of RMB31,262 exclusive of property management fees and utilities charges.</p> <p>According to the PRC legal opinion, the lease has been registered in the relevant authority and is legal, valid and binding.</p>	No commercial value

Property	Description and tenancy particulars	Market value in existing state as at 31 July 2013
<p>3. The 4th floor of Block No. A18, Xinbaohui Industrial Zone, Hengfeng Industrial Town, Xixiang Sub-district, Baoan District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市寶安區西鄉街道恒豐工業城新寶匯工業區A18棟)</p>	<p>The property comprises 13 dormitory units on the 4th floor of a 7-storey dormitory building completed in 2004.</p> <p>The property has a total gross floor area of approximately 517 sq m and is currently occupied by the Group as staff quarters.</p> <p>The property is leased from an independent party, to Bodatong Technology (Shenzhen) Co., Ltd. (博達通科技(深圳)有限公司) for a term from 1 May 2011 to 31 December 2016 at a monthly rent of RMB5,687 exclusive of property management fees and utilities charges.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority. However, this does not affect the legality, validity and binding effect of the lease. Bodatong Technology (Shenzhen) Co., Ltd. is still entitled to lease the property.</p>	No commercial value

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands Company Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2011 under the Companies Law. The Memorandum and the Articles comprise its constitution.

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association was conditionally adopted on 21 August 2013 and effective on the Listing Date and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this prospectus.

2 ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on 21 August 2013 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$80,000,000 divided into 8,000,000,000 shares of a par value of HK\$0.01 each.

2.2 Board

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Board, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Board shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of

capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities by the Articles of Association expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Board and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Board resolves that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provisions in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Board to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

Subject to the Companies Law, no alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a

special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting, where a show of hands is allowed, every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Board, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll, save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notices calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Board or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss

account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 days and any other extraordinary general meeting shall be called by not less than 14 days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that referred to above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

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All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Board otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Board may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

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- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Board refuses to register a transfer of any share it shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Board may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase, unless the Board resolve prior to the repurchase that upon the repurchase the shares shall be held in the name of the Company as treasury shares.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. The Board may also pay half-yearly or at other intervals to be selected by it at a fixed rate if it is of the opinion that the profits available for distribution justify the payment.

The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Board or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Board and shall revert to the Company and after such forfeiture no member or other person shall have any right to claim in respect of such dividends or bonuses.

The Board may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Board may settle it as it thinks expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form that complies with the GEM Listing Rules as the Board may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Board may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Board may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon at such rate not exceeding 15% per annum as the Board may prescribe from the date of forfeiture until payment, and the Board may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Board may from time to time determine either generally or

in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the GEM Listing Rules) as the Board may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company

shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account including, where applicable, material underlying documentation including contracts and invoices with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company or (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 10 July 2012.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that is applicable to any payments made to or by the Company.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

- (a) Our Company was incorporated in the Cayman Islands as an exempted limited liability company under the Companies Law on 23 February 2011. Our Company has established its principal place of business in Hong Kong at Rooms 2901-03, 2905-08, 29th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong and has registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 12 May 2011. Mr. George Lu has been appointed as the agent of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.
- (b) As our Company was incorporated in the Cayman Islands, the corporate structure and the Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum and Articles of Association and certain relevant aspects of Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

The authorized share capital of our Company as at the date of incorporation was HK\$50,000 divided into 5,000,000 shares of par value HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

- (a) On 23 February 2011, 1 Share was allotted and issued fully paid to Mapcal Limited as the initial subscriber and transferred to Forever Star on the same day.
- (b) On 26 June 2012, the authorized share capital of our Company was increased from HK\$50,000 to HK\$80,000,000 by the creation of an additional 7,995,000,000 Shares of par value HK\$0.01 each pursuant to a resolution in writing passed by the then Shareholder of our Company dated 26 June 2012.
- (c) On 27 June 2012, in consideration of the transfer of the 9,980 shares of US\$1 each by Forever Star in Golden Profit to our Company, 9,979,999 Shares were allotted and issued, credited as fully paid, to Forever Star. On 27 June 2012, in consideration of the transfer of the 20 shares of US\$1 each by Nice Rate in Golden Profit to our Company, 20,000 Shares were allotted and issued, credited as fully paid, to Nice Rate. Assuming that the Placing becomes unconditional, immediately upon completion of the Capitalization Issue and the Placing but not taking into account any Shares which may be granted under the Share Option Scheme or granted under the Offer Size Adjustment Option, the issued share capital of the Company is HK\$2,400,000 divided into 240,000,000 Shares fully paid or credited as fully paid, and 7,760,000,000 Shares will remain unissued.

3. Changes in the share capital of our Group

The subsidiaries of our Company are referred to in the accountant's report as set out in Appendix I to this prospectus. The following alterations in the share capital of the subsidiaries of the Company have taken place during the two years preceding the date of this prospectus:

(a) *Goldenmars HK*

On 8 March 2010, Mr. George Lu transferred 2,150,000 of the shares of HK\$1 each in Goldenmars HK to Ms. Shen Wei. The entire issued share capital of Goldenmars HK held by Mr. George Lu (as to 40,850,000 shares of HK\$1 each) and Ms. Shen Wei (as to 2,150,000 shares of HK\$1 each) was then transferred to Great Success pursuant to their respective instruments of transfer and bought and sold notes both dated 22 March 2011, in consideration of 2 shares of US\$1 each issued by Great Success to Forever Star, a company held by Mr. George Lu and Ms. Shen Wei each as to 50%.

(b) *Boda International*

On 22 March 2011, the 7,840,000 shares of HK\$1 each held by Ms. Shen Wei and the 160,000 shares of HK\$1 each held by Nice Rate (a company owned as to 100% by Ms. Lau Wing Sze) in Boda International constituting the entire issued share capital of Boda International were transferred to Treasure Fantasy pursuant to their respective instruments of transfer and bought and sold notes, in consideration of 98 shares of US\$1 each issued by Treasure Fantasy to Ms. Shen Wei and 2 shares of US\$1 each issued by Treasure Fantasy to Nice Rate.

(c) *Great Success*

On 22 March 2011, the entire issued share capital of Goldenmars HK was transferred by Mr. George Lu and Ms. Shen Wei to Great Success, in consideration of which Great Success issued 2 shares to Forever Star, a company held by Mr. George Lu and Ms. Shen Wei each as to 50%.

Pursuant to an instrument of transfer date 22 March 2011, Forever Star transferred the 3 shares in Great Success being the entire issued capital of Great Success to Golden Profit, in consideration of 1 share issued by Golden Profit to Forever Star.

(d) *Treasure Fantasy*

Pursuant to the instrument of transfer between Ms. Shen Wei and Treasure Fantasy dated 22 March 2011 and the instrument of transfer between Nice Rate and Treasure Fantasy an dated 22 March 2011, the entire issued share capital of Boda International was transferred to Treasure Fantasy, in consideration of which 98 shares of US\$1 each were issued by Treasure Fantasy to Ms. Shen Wei and 2 shares of US\$1 each were issued by Treasure Fantasy to Nice Rate.

On 22 March 2011, the 196 shares of US\$1 each in Treasure Fantasy held by Ms. Shen Wei were transferred to Golden Profit, in consideration of 9,976 shares of US\$1 each issued by Golden Profit to Forever Star. On 22 March 2011, the 4 shares of US\$1 each in Treasure Fantasy held by Nice Rate were transferred to Golden Profit, in consideration of 20 shares of US\$1 each issued by Golden Profit to Nice Rate.

(e) Top Harvest

By an instrument of transfer dated 22 March 2011 between Mr. George Lu and Golden Profit, Mr. George Lu transferred the 95 shares of US\$1 each in Top Harvest to Golden Profit, in consideration of 1 share of US\$1 each issued by Golden Profit to Forever Star.

By an instrument of transfer dated 22 March 2011 between Ms. Shen Wei and Golden Profit, Ms. Shen Wei transferred the 5 shares of US\$1 each in Top Harvest to Golden Profit, in consideration of 1 share of US\$1 each issued by Golden Profit to Forever Star.

(f) Golden Profit

On 22 March 2011, the 3 shares of US\$1 each in Great Success were transferred by Forever Star to Golden Profit, in consideration of which Golden Profit issued 1 share of US\$1 each to Forever Star. The entire issued share capital of Great Success was purchased by Golden Profit.

By an instrument of transfer dated 22 March 2011, the 196 shares of US\$1 each in Treasure Fantasy held by Ms. Shen Wei was transferred to Golden Profit, in consideration of which 9,976 shares of US\$1 each was issued by Golden Profit to Forever Star. By an instrument of transfer dated 22 March 2011, the 4 shares of US\$1 each in Treasure Fantasy held by Nice Rate was transferred to Golden Profit, in consideration of which 20 shares of US\$1 each was issued by Golden Profit to Nice Rate. The entire issued share capital of Treasure Fantasy was purchased by Golden Profit.

By an instrument of transfer dated 22 March 2011, Mr. George Lu transferred the 95 shares of US\$1 each in Top Harvest to Golden Profit, in consideration of which 1 share of US\$1 each was issued by Golden Profit to Forever Star. By an instrument of transfer dated 22 March 2011, Ms. Shen Wei transferred the 5 shares of US\$1 each in Top Harvest to Golden Profit, in consideration of which 1 share of US\$1 each was issued by Golden Profit to Forever Star. The entire issued share capital of Top Harvest was purchased by Golden Profit.

By a sale and purchase agreement dated 21 February 2011, Forever Star transferred 4,000 shares of US\$1 each in Golden Profit to High Degree at a cash consideration of HK\$36 million. After the completion of the said sale on 22 March 2011 the entire issued share capital of Golden Profit is held as to 59.8% by Forever Star, 40% by High Degree and 0.2% by Nice Rate.

By a sale and purchase agreement dated 6 December 2011 between High Degree, Ms. Lui Wan Ching, Mr. George Lu and Forever Star and an instrument of transfer dated 8 December 2011 between High Degree and Forever Star, High Degree transferred 4,000 shares in Golden Profit constituting 40% of the then issued share capital of Golden Profit to Forever Star, for a consideration of HK\$38,935,233 (being the sum of HK\$36,000,000 plus interests).

By a sale and purchase agreement dated 26 June 2012 between Forever Star, Nice Rate, our Company and Mr. George Lu (as warrantor) and the instruments of transfer between Forever Star and our Company and between Nice Rate and our Company dated 27 June 2012 respectively, Forever Star and Nice Rate transferred their respective 9,980 shares and 20 shares of US\$1 each in Golden Profit (being the entire issued share capital of Golden Profit) to our Company, in consideration of which 9,979,999 and 20,000 Shares of HK\$0.01 each in our Company were issued to Forever Star and Nice Rate respectively.

The authorized share capital of our Company was increased from HK\$50,000 divided into 5,000,000 Shares of HK\$0.01 each to HK\$80,000,000 divided into 8,000,000,000 Shares of HK\$0.01 each by the creation of a further 7,995,000,000 Shares to rank pari passu with the existing Shares in all respects on 26 June 2012.

4. Written Resolutions of our Shareholders

Under the written resolutions of our Shareholders passed on 21 August 2013:

Conditional upon the conditions stated in the paragraph headed “**Conditions of the Placing**” under the section headed “Structure and Conditions of the Placing” in this prospectus being fulfilled or waived (as the case may be):

(a) *Placing and Capitalization Issue*

The Placing and the Capitalization Issue pursuant to the terms as set out in this prospectus and the related application were approved and confirmed and our Directors or any committee of the Board were authorized to allot and issue such Shares pursuant to the Placing and the Capitalization Issue and to do all such other acts and things which they may consider necessary or appropriate to effect and implement the same.

(b) *Share Option Scheme*

The Share Option Scheme was approved and adopted with such additions, amendments, modifications thereto as may be approved by our Directors or any committee of the Board in their absolute discretion and our Directors or any committee of the Board were authorized, at its absolute discretion, to implement the Share Option Scheme, to grant options thereunder and to allot, issue and deal with the Shares thereunder and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme.

(c) *Articles of Association*

The Articles of Association were approved and adopted as the new articles of association of our Company in substitution for and to the exclusion of the then existing articles of association of our Company.

(d) *General mandate to issue Shares and to repurchase Shares*

- (i) A general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of options granted under the Share Option Scheme or any Shares allotted in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or the Placing Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately upon completion of the Capitalization Issue and the Placing (without taking into account the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option). Such mandate will expire at the conclusion of the next annual general meeting of the Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held; or when revoked or varied by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;
- (ii) A general unconditional mandate was given to our Directors authorizing the purchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Placing (without taking into account the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held; or when revoked or varied by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and
- (iii) The general unconditional mandate as mentioned in sub-paragraph (i) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (ii) above.

5. Reorganization

In preparation of the Listing, our Company underwent the Reorganization to rationalize the business and structure of our Group as follows:

(a) *Formation of Great Success, Treasure Fantasy and Top Harvest*

Great Success was incorporated in the British Virgin Islands on 4 January 2011 and it became a wholly-owned subsidiary of Forever Star on 10 February 2011.

Treasure Fantasy was incorporated in the British Virgin Islands on 10 January 2011. It is owned as to 98% by Ms. Shen Wei and 2% by Nice Rate. Nice Rate is wholly owned by Ms. Lau Wing Sze.

Top Harvest was incorporated in the British Virgin Islands on 4 January 2011. It is owned as to 95% by Mr. George Lu and 5% by Ms. Shen Wei.

(b) *Transfer of shares in Goldenmars HK to Great Success*

Pursuant to an instrument of transfer and the bought and sold note dated 22 March 2011 between Mr. George Lu and Great Success, the 40,850,000 shares in Goldenmars HK being 95% of the issued share capital of Goldenmars HK were transferred to Great Success, in consideration of 1 share issued by Great Success to Forever Star, a company owned as to 50% by Mr. George Lu.

Pursuant to an instrument of transfer and the bought and sold note dated 22 March 2011 between Ms. Shen Wei and Great Success, the 2,150,000 shares in Goldenmars HK being 5% of the issued share capital of Goldenmars HK were transferred to Great Success, in consideration of 1 share issued by Great Success to Forever Star, a company owned as to 50% by Ms. Shen Wei.

Goldenmars HK then became the wholly-owned subsidiary of Great Success.

(c) *Transfer of shares in Boda International to Treasure Fantasy*

Pursuant to an instrument of transfer dated 22 March 2011 between Ms. Shen Wei and Treasure Fantasy, the 7,840,000 shares in Boda International being 98% of the issued share capital of Boda International were transferred to Treasure Fantasy, in consideration of 98 shares issued by Treasure Fantasy to Ms. Shen Wei.

Pursuant to an instrument of transfer dated 22 March 2011 between Nice Rate and Treasure Fantasy, the 160,000 shares in Boda International being 2% of the issued share capital of Boda International were transferred to Treasure Fantasy, in consideration of 2 shares issued by Treasure Fantasy to Nice Rate.

Boda International became the wholly-owned subsidiary of Treasure Fantasy.

(d) *Purchase of Property by Top Harvest*

On 18 February 2011 Top Harvest entered into a sale and purchase agreement for the purchase of the property at Rooms 2901-03, 2905-08, 29th Floor and the car parking spaces P8, P10, P12 and P14 at Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The purchase was completed on 15 March 2011.

(e) *Incorporation of Goldenmars Technology Holdings Limited and Golden Profit*

Our Company was incorporated in the Cayman Islands on 23 February 2011, with an initial authorized share capital of HK\$50,000 divided into 5,000,000 Shares of HK\$0.01 each. One share was allotted and credited as fully paid to Mapcal Limited, which was transferred to Forever Star on the same date, constituting the entire issued share capital of our Company then.

Golden Profit was incorporated in the British Virgin Islands on 16 November 2010. One share was allotted and credited as fully paid to Forever Star, constituting the entire issued share capital of Golden Profit then.

(f) *Transfer of shares in Great Success to Golden Profit*

By an instrument of transfer dated 22 March 2011 between Forever Star and Golden Profit, the 3 shares in Great Success being the entire issued capital of Great Success were transferred from Forever Star to Golden Profit, in consideration of 1 share issued by Golden Profit to Forever Star.

Great Success became a wholly-owned subsidiary of Golden Profit.

(g) *Transfer of shares in Treasure Fantasy to Golden Profit*

By an instrument of transfer dated 22 March 2011 between Ms. Shen Wei and Golden Profit, the 196 shares in Treasure Fantasy were transferred from Ms. Shen Wei to Golden Profit, in consideration of the 9,976 shares issued by Golden Profit to Forever Star.

By an instrument of transfer dated 22 March 2011 between Nice Rate and Golden Profit, the 4 shares in Treasure Fantasy were transferred from Nice Rate to Golden Profit, in consideration of the 20 shares issued by Golden Profit to Nice Rate.

Treasure Fantasy became the wholly-owned subsidiary of Golden Profit.

(h) Transfer of shares in Top Harvest to Golden Profit

By an instrument of transfer dated 22 March 2011 between Mr. George Lu and Golden Profit, the 95 shares in Top Harvest were transferred from Mr. George Lu to Golden Profit, in consideration of the 1 share issued by Golden Profit to Forever Star.

By an instrument of transfer dated 22 March 2011 between Ms. Shen Wei and Golden Profit, the 5 shares in Top Harvest were transferred from Ms. Shen Wei to Golden Profit, in consideration of the 1 share issued by Golden Profit to Forever Star.

Top Harvest became a wholly-owned subsidiary of Golden Profit.

(i) Transfer of 40% Interest in Golden Profit to High Degree

By a sale and purchase agreement dated 21 February 2011 and an instrument of transfer dated 22 March 2011 between Forever Star and High Degree, Forever Star transferred 4,000 shares in Golden Profit constituting 40% of the issued share capital of Golden Profit to High Degree, a company wholly owned by Ms. Lui Wan Ching, for a consideration of HK\$36,000,000.

(j) Transfer of 40% Interest in Golden Profit to Forever Star

By a sale and purchase agreement dated 6 December 2011 between High Degree, Ms. Lui Wan Ching, Mr. George Lu and Forever Star, and an instrument of transfer dated 8 December 2011 between High Degree and Forever Star, High Degree transferred 4,000 shares in Golden Profit constituting 40% of the then issued share capital of Golden Profit to Forever Star, for a consideration of HK\$38,935,233.

(k) Increase in Authorized Share Capital of our Company

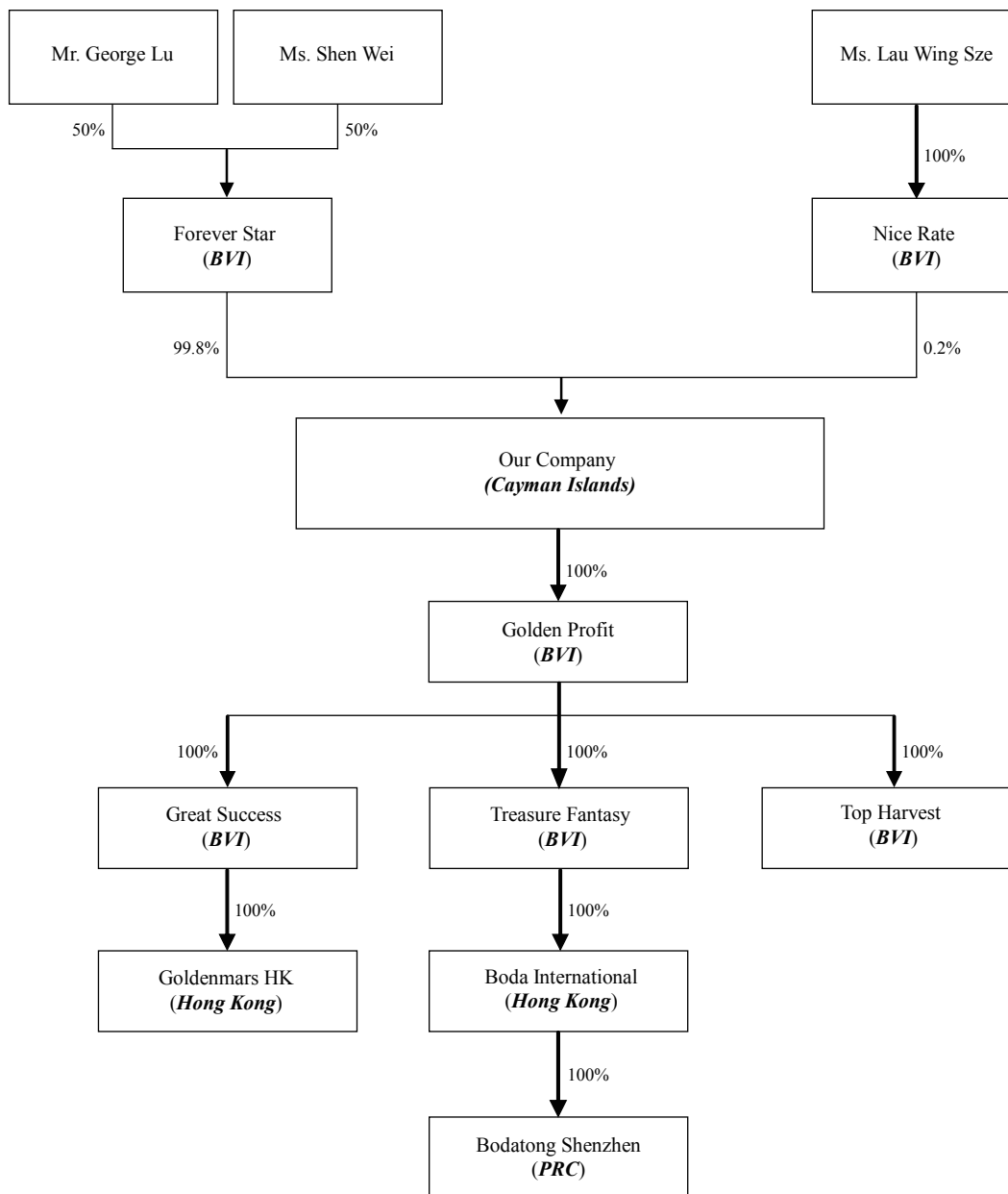
The authorized share capital of our Company was increased from HK\$50,000 divided into 5,000,000 Shares of HK\$0.01 each to HK\$80,000,000 divided into 8,000,000,000 Shares of HK\$0.01 each pursuant to the written resolutions of our then Shareholder passed on 26 June 2012.

(l) Transfer of shares in Golden Profit to our Company

By an instrument of transfer dated 27 June 2012 between Nice Rate and our Company, the 20 shares in Golden Profit were transferred from Nice Rate to our Company, in consideration of the 20,000 shares issued by our Company to Nice Rate.

By an instrument of transfer dated 27 June 2012 between Forever Star and our Company, the 9,980 shares in Golden Profit were transferred from Forever Star to our Company, in consideration of the 9,979,999 shares issued by our Company to Forever Star.

Set out below is the structure of our Group immediately following the Reorganization:



Following the Reorganization, our Company became the holding company of our Group. The shareholding structure of the members of our Group upon completion of the Reorganization and the Placing (assuming the Offer Size Adjustment Option is not exercised) is set out in “History, Reorganization and Group Structure – Group Structure”.

6. Repurchase by our Company of its own securities

This section includes information relating to the repurchase of the Shares by our Company, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

The GEM Listing Rules permit the Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by the Shareholders in a general meeting.

(b) *Shareholders' Approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Company passed on 21 August 2013 by all our Shareholders, a general unconditional mandate was given to our Directors by the Shareholders authorizing the purchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Placing (excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued any Shares which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held; or when revoked or varied by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first (the “**Relevant Period**”).

(c) *Source of funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Companies Law and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Company may make repurchases out of the profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of our Company's

share premium account. If authorized by the Articles of Association and subject to the Companies Law, repurchase may also be made out of capital.

(d) *Reasons for repurchases*

Our Directors believe that it is in the best interests of the Company and the Shareholders for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and the Shareholders.

(e) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purchase in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands and Hong Kong.

(f) *Exercise of Repurchase Mandate*

On the basis of 240,000,000 Shares in issue immediately after the Capitalization Issue and Placing (without taking into account the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), our Directors would be authorized to repurchase up to 24,000,000 Shares during the Relevant Period under the Repurchase Mandate.

(g) *Dealing Restrictions*

Pursuant to the GEM Listing Rules, our Company:

- (i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange;
- (ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;
- (iii) shall not knowingly purchase its Shares from a connected person and a connected person shall not knowingly sell Shares to our Company, on the Stock Exchange;
- (iv) shall procure that any broker appointed by our Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of our Company as the Stock Exchange may request;

- (v) shall not purchase its Shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:
- (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),
- and ending on the date of the results announcement, our Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;
- (vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for our Company as determined by the GEM Listing Rules from time to time.

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

(h) Reporting requirements

The Company shall:

- (i) Report to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which our Company makes a purchase of Shares (whether on the Stock Exchange or otherwise), information required under the GEM Listing Rules and/or by the Stock Exchange. Our Company should make arrangements with its brokers to ensure that they provide to our Company in a timely fashion the necessary information to enable our Company to make the report to the Stock Exchange; and
- (ii) include in its annual report and accounts a monthly breakdown of purchases of Shares made during the financial year under review pursuant to the GEM Listing Rules.

(i) *Status of purchased shares*

The listing of all Shares which are purchased by our Company (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon purchase. Our Company shall ensure that the documents of title of the purchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

(j) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates, has any present intention, if the repurchase mandate is exercised, to sell any Shares to our Company or any of its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws of Hong Kong and the Cayman Islands. Our Company shall not purchase Shares otherwise than by cash or arrange for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Our Company shall procure the broker who effects the purchase to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the repurchase mandate.

7. Information about our Group's subsidiary in the PRC

Name:	Bodatong Technology (Shenzhen) Company Limited 博達通科技(深圳)有限公司
Date of establishment:	11 July 2007
Place of establishment:	The PRC

Type of enterprise:	Wholly foreign owned enterprise (Hong Kong investment)
Term:	11 July 2007 to 11 July 2027
Registered capital:	RMB10,000,000
Attributable interest of our Company:	100%
Scope of business:	Production and trading of MP3, MP4, memory devices in calculators; digital sound equipment; goods and technology import and export business (excluding distribution, state monopoly (國家專營), control or monopolized products)
Legal representative:	Ms. Shen Wei
Directors:	Ms. Shen Wei, 陸芹珍 (Ms. Lu Qinzhen) and Ms. Peng Jie (彭洁)

B FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) A sale and purchase agreement dated 6 December 2011 entered into between High Degree, Ms. Lui Wan Ching, Mr. George Lu and Forever Star, pursuant to which High Degree agreed to sell, and Forever Star agreed to purchase 40% of the issued share capital of Golden Profit at a consideration of HK\$38,935,233 (being the sum of HK\$36,000,000 plus interests);
- (b) The instrument of transfer between High Degree and Forever Star dated 8 December 2011 for the transfer of the 40% interest in Golden Profit (being 4,000 shares) at a consideration of HK\$38,935,233;
- (c) A sale and purchase agreement dated 26 June 2012 between Forever Star, Nice Rate, our Company and Mr. George Lu (as warrantor) and the instruments of transfer between Forever Star and our Company and between Nice Rate and our Company dated 27 June 2012 respectively, Forever Star and Nice Rate transferred their respective 9,980 shares and 20 shares of US\$1 each in Golden Profit (being the entire issued share capital of Golden Profit) to our Company, in consideration of which 9,979,999 and 20,000 Shares of HK\$0.01 each in our Company were issued to Forever Star and Nice Rate respectively;
- (d) The deed of non-competition undertaking dated 26 June 2012 which has been superseded by the one dated 21 August 2013, both executed by Forever Star in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;

- (e) The deed of non-competition undertaking dated 26 June 2012 which has been superseded by the one dated 21 August 2013, both executed by Mr. George Lu in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (f) The deed of non-competition undertaking dated 26 June 2012 which has been superseded by the one dated 21 August 2013, both executed by Ms. Shen Wei in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (g) The deed of non-competition undertaking dated 26 June 2012 which has been superseded by the one dated 21 August 2013, both executed by Ms. Lau Wing Sze in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (h) The Deed of Indemnity dated 26 June 2012 which has been superseded by the one dated 21 August 2013 both entered into between Mr. George Lu, Ms. Shen Wei, Forever Star and our Company (for ourselves and as trustee for each of our subsidiaries), under which Mr. George Lu, Ms. Shen Wei and Forever Star have given certain indemnities in favour of our Group as set out in the sub-section headed “Other Information – 1. Estate duty, Tax and Other Indemnity” in this Appendix;
- (i) The Deed of Indemnity dated 21 August 2013 entered into between Mr. George Lu, Ms. Shen Wei and Forever Star (collectively, the “**Indemnifiers**”) and our Company (for ourselves and as trustee for each of our subsidiaries), under which the Indemnifiers have given further indemnities in favour of our Group as set out in the sub-section headed “Other Information – 1. Estate duty, Tax and Other Indemnity” in this Appendix;
- (j) The deed of non-competition undertaking dated 21 August 2013 executed by Forever Star in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (k) The deed of non-competition undertaking dated 21 August 2013 executed by Mr. George Lu in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (l) The deed of non-competition undertaking dated 21 August 2013 executed by Ms. Shen Wei in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;


- (m) The deed of non-competition undertaking dated 21 August 2013 executed by Ms. Lau Wing Sze in favour of our Company regarding the non-competition undertaking as described under the sub-section headed “Non-competition Undertakings” under the section “Relationship with our Controlling Shareholders” in this prospectus;
- (n) The deed of assignment dated 26 August 2013 entered into amongst Forever Star, Wider Technology Ltd., Deluxe More Capital Limited, Ms. Shen Wei and Mr. George Lu pursuant to which the debts owed from Wider Technology Ltd., Deluxe More Capital Limited and Ms. Shen Wei to our Company (for itself and on behalf of its subsidiaries) and the receivables owed to Mr. George Lu from our Company (for itself and on behalf of its subsidiaries) are assigned to Forever Star for a consideration at face value of the debts or the receivables thereto; and
- (o) The Underwriting Agreement dated 29 August 2013.

2. Intellectual Property Rights


- (a) As at the Latest Practicable Date, our Group has obtained registration of the following trademarks in Hong Kong:

Trademark	Class(es)	Registration Number	Registration Term
 (in colour)	9, 35, 42	301457163	23 October 2009 to 22 October 2019
    (in colour and in series)	9, 14, 28, 35, 36, 42	301871136	28 March 2011 to 27 March 2021
  (in colour and in series)	9, 35	300643653	23 May 2006 to 22 May 2016
	9, 35	300805491	29 January 2007 to 28 January 2017

- (b) As at the Latest Practicable Date, our Group has also registered the following trademarks in Taiwan:


Trademark	Class(es)	Registration Number	Registration Term
	9	01289666	1 December 2007 to 30 November 2017
GeeDom	9	01258268	16 April 2007 to 15 April 2017

- (c) As at the Latest Practicable Date, our Group was the registrant of the registration of the following trademarks in the PRC:


Trademark	Class(es)	Registration Number	Effective Period
Goldenmars 勁 芯	9	5076651	14 December 2008 to 13 December 2018
GeeDom	9	5076652	14 December 2008 to 13 December 2018
 G-Nono	9	5076653	14 December 2008 to 13 December 2018

The above trademarks in the PRC were initially registered under the name of 深圳市新亞洲科技有限公司 (Shenzhen New Asia Technology Co. Ltd.*). Pursuant to the Assignment dated 22 June 2009, 深圳市新亞洲科技有限公司 agreed to assign the above trademarks at nil consideration to our Group. The recordal of assignment was completed at the Trade Marks Office under the State Administration for Industry and Commerce of the PRC on 22 December 2010.

In order to broaden the scope of protection of our GoldenMars trademarks, we have also applied for and obtained registration of the following trademarks in the PRC:

Trademark	Class(es)	Registration	Effective Period
	9	9268696	7 April 2012 to 6 April 2022

- (d) As at the Latest Practicable Date, our Group has registered the following trademarks in the European Union by way of a Community Trademark:

Trademark	Class(es)	Registration Number	Registration Term
	9, 35	005452156	9 November 2006 to 9 November 2016
GeeDom	9	005274501	24 August 2006 to 24 August 2016

- (e) As at the Latest Practicable Date, our Group was the registrant of the following domain name(s):

Domain name	Registrant	Effective Period
www.goldenmars.com	Goldenmars Technology (Hong Kong) Limited	2 July 2002 to 2 July 2014
www.bodatongtech.com	Bodatong Technology (Shenzhen) Co.,Ltd	29 June 2012 to 29 June 2014

The information contained in the above websites do not form part of this prospectus.

Other than the relevant registration of the intellectual property rights information already disclosed in this section, our Company confirms that to the best of its knowledge, no other intellectual property registration is required.

C FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Directors

- (a) *Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalization Issue and the Placing (without taking into account any Shares which may be allotted and issued under the Share Option Scheme or the exercise of the Offer Size Adjustment Option), the interests of our Directors and chief executives of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required,

under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to our Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed will be as follows:

Interests in Shares of our Company:

Name of Director	Capacity/ Nature of Interest	Number of Securities	Approximate percentage of shareholding
Mr. George Lu (<i>Note 1</i>)	Interest in a controlled corporation	9,980,000 (<i>Note 1</i>)	74.85%
Ms. Shen Wei (<i>Note 1</i>)	Interest in a controlled corporation	9,980,000 (<i>Note 1</i>)	74.85%
Ms. Lau Wing Sze (<i>Note 2</i>)	Interest in a controlled corporation	20,000 (<i>Note 2</i>)	0.15%

Notes:

1. Mr. George Lu and Ms. Shen Wei are deemed to be interested in 9,980,000 Shares held by Forever Star Capital Limited by virtue of each of their 50% interest in Forever Star Capital Limited under Part XV of the SFO
2. Ms. Lau Wing Sze is deemed to be interested in 20,000 Shares held by Nice Rate Limited by virtue of her 100% interest in Nice Rate Limited under Part XV of the SFO

Interests in shares of associated corporations:

Name of Directors	Name of associated corporations	Capacity/ Nature of Interest	Approximate percentage of shareholding in associated corporations
Mr. George Lu	Forever Star Capital Limited	Beneficial owner	50%
Ms. Shen Wei	Forever Star Capital Limited	Beneficial owner	50%
Ms. Lau Wing Sze	Nice Rate Limited	Beneficial owner	100%

(b) *Particulars of service agreements/letters of appointment*

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date which may be terminated by a three months' notice in writing served by either party. Under their respective service contracts, each of the executive Directors is entitled to a fixed Director's salary and may be entitled to a discretionary bonus.

Each of the independent non-executive Directors has signed a letter of appointment with our Company for an initial term of three years commencing from the Listing Date which may be terminated by a three months' notice in writing served by either party. Under their respective letters of appointment, each of the independent non-executive Directors is entitled to a fixed Director's salary.

Saved as disclosed herein, none of our Directors has entered into or has proposed to enter into any service agreements with our Company (other than agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Directors' remuneration*

- (i) The aggregate amount of fees, basic salaries, housing allowances, other allowances and benefits in kind paid by our Group to our Directors during the two years ended 31 March 2013 was approximately HK\$963,000 and HK\$1,013,000 respectively. The aggregate amount of the discretionary bonus paid to the Directors was approximately HK\$50,000 and HK\$29,000 for each of the two years ended 31 March 2013 respectively. Further information in respect of Directors' remuneration is set out in Appendix I to this prospectus.
- (ii) The current annual remuneration of our executive Directors and independent non-executive Directors are as follows:

Executive Directors

HK\$1,042,000

Independent non-executive Directors

Nil

- (iii) It is estimated that approximately HK\$2,950,000 in aggregate (excluding discretionary bonus payable to our Directors) will be payable to our Directors as remuneration in cash and in kind pursuant to the present arrangements for the year ending 31 March 2014.

Save as disclosed in this sub-paragraph headed "Directors" and the section headed "Directors, Senior Management and Employees" and the accountant's report set out in Appendix I to this prospectus, none of our Directors has received any remuneration, bonus or other benefit from our Group during the Track Record Period.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Placing and taking no account of the Shares which may fall to be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme or the Offer Size Adjustment Option, the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Interests in the Shares of our Company

Name	Capacity/ Nature of Interest	Number of Shares	Position	Approximate Percentage of shareholding
Forever Star Capital Limited (<i>Note 1</i>)	Beneficial owner	9,980,000	Long	74.85%
Mr. George Lu (<i>Note 2</i>)	Interest in a controlled corporation	9,980,000	Long	74.85%
Ms. Shen Wei (<i>Note 2</i>)	Interest in a controlled corporation	9,980,000	Long	74.85%

Notes:

1. Forever Star Capital Limited is a Controlling Shareholder within the meaning or otherwise by virtue of the GEM Listing Rules.
2. Mr. George Lu and Ms. Shen Wei are deemed to be interested in the 9,980,000 Shares held by Forever Star Capital Limited under Part XV of the SFO. Mr. George Lu and Ms. Shen Wei are Controlling Shareholders within the meaning of the GEM Listing Rules.

3. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriter is set out in the section headed “Underwriting” of this prospectus.

4. Related party transactions

During the Track Record Period, our Company was engaged in related party transactions as described under note 29 to the accountant’s report set out in Appendix I to this prospectus.

5. Disclaimers

- (a) None of our Directors nor any chief executive of our Company has any interest in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case, once the Shares are listed;
- (b) None of our Directors nor any of the experts whose names are referred to in the paragraph headed “Qualifications of experts” in this Appendix is interested, directly or indirectly, in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) None of our Directors nor any of the experts whose names are referred to in the paragraph headed “Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) Taking no account of any Shares which may be taken up pursuant to the Placing and any options to be granted under the Share Option Scheme, our Directors are not aware of any legal person or individual (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalization Issue and the Placing, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provision of Divisions 2 and 3 of Part XV of the SFO or will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) None of the experts whose names are referred to in the paragraph headed “Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) There are no existing or proposed service agreements (excluding the service agreement entered into between the Company and the respective Directors as referred to in the sub-paragraph “Particulars of service agreements” under the paragraph “Further Information about our Directors, Management, Staff and Substantial Shareholders” in Appendix V to this prospectus, or agreements expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between our Company or any of its subsidiaries and any of our Directors; and
- (g) So far as our Directors are aware, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company have any interests in the five largest customers or the five largest suppliers of our Group.

D SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme 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) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to recognize and motivate Eligible Persons (as defined herein below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

(b) *Who may join*

Our Directors may, at their absolute discretion, offer to grant to any person belonging to any of the following classes of participants (“**Eligible Person**”), Options to subscribe for Shares at a price calculated in accordance with sub-paragraph (e) below:

- (i) any administrative staff (the “**Executive**”);
- (ii) any direct or indirect shareholder of any member of our Group;
- (iii) any supplier of goods or services to any member of our Group;
- (iv) any customer, consultant, business or joint venture partners, franchisee, contractor, agent or representative of any member of our Group;

(v) any person or entity furnishing research, development or other technical support, enquiries, consultancy, professional or other services to any member of our Group; and

(vi) any associate of the foregoing persons.

Upon acceptance of the Option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

(c) *Grant of Options*

The Board may offer to make a grant subject to such conditions (including but not limited to the terms and conditions in relation to vesting, exercise or otherwise) as the Board may think fit, provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

No grant of Option shall be made by the Board after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, during the period of two months immediately preceding the earlier of (a) the date of the meeting of the Board for approval of our Company's quarterly, interim or annual results or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for our Company to publish its final results, the interim results or the quarterly results announcement under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option should be granted until such information has been announced pursuant to the requirements of the GEM Listing Rules. The period during which no Option should be granted will cover any period of delay in the publication of a results announcement.

The offer of the grant of an Option shall be personal to the Eligible Person concerned and shall not be transferable. It shall remain open for acceptance by the Eligible Person concerned (and by no other person, including his Personal Representative(s)) for a period as stated in the offer document provided that no such offer shall be open for acceptance after the Share Option Scheme has been terminated.

The Board may, at its absolute discretion, fix any minimum period for which an Option must be held, and any performance targets that must be achieved and/or any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Person.

(d) *Grant of Options to connected persons or any of their associates*

Any grant of Options to a connected person must be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of the Option).

Where any grant of options is made to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including exercised, cancelled and outstanding Options) to such person(s) in the past 12-month period up to and including the date of such grant representing in aggregate more than 0.1% of the total issued share capital of our Company for the time being; and having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million, then such further grant of Options must be subject to the approval of the Shareholders on a poll at general meeting where all connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to the Shareholders containing the information required under Rule 23.02(2) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules. The Shareholders' approval as described above will also be required for any change in the terms of any Options granted to a substantial shareholder of our Company or an independent non-executive Director of our Company or any of their respective associates.

The above requirements for the granting of Options shall not apply where the Eligible Person is only a proposed director or chief executive of our Group.

(e) *Price for Shares*

The subscription price for the Shares under the Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the Option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day ("**Offer Date**"); (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share, provided that for the purpose of calculating the subscription price, where our Company has been listed for less than five trading days the issue price shall be used as the closing price for any business day falling within the period before listing. Any adjustment to be made to the subscription price for the Shares, and/or the number of Shares subject to, any options to be granted under the Share Option Scheme will comply with the GEM Listing Rules, the relevant guidance and interpretation of the GEM Listing Rules issued or to be issued by the Stock Exchange from time to time.

(f) *Maximum number of Shares*

- (i) the total number of Shares which may be issued upon exercise of all Options which may be granted under the Share Option Scheme and any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (not taking into account any Shares which may be allotted and issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company) unless Shareholders' approval has been obtained pursuant to paragraphs (ii) and (iii) below;
- (ii) our Company may seek approval from its Shareholders in general meeting to refresh the 10% limit. However, the maximum number of Shares available for issue upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of our Company must not exceed 10% of the issued share capital of our Company as at the date of approval by the Shareholders in general meeting. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the 10% limit as refreshed;
- (iii) our Company may seek separate approval by its Shareholders in general meeting for granting options beyond the 10% limit provided that the Options in excess of the 10% limit are granted only to the Eligible Persons specified by our Company before such approval is obtained.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of the Shares in issue from time to time.

(g) *Maximum entitlement of each Eligible Person*

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

(h) *Time of exercise of Option*

An Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period commencing immediately after the business day on which the Option is deemed to be granted in accordance with the Share Option Scheme (“**Commencement Date**”) and expiring on such date of the expiry of the Option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date (“**Option Period**”) but subject to the provisions for early termination thereof as set out in the Share Option Scheme.

(i) *Rights are personal to grantee*

An Option may not be transferable or assignable and is personal to the grantee.

(j) *Lapse of Options*

- (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
- (ii) in the event that the grantee ceases to be the Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent which has become exercisable and not already exercised) shall be exercisable until the expiry of the relevant Option Period; or
- (iii) in the event that the grantee ceases to be the Executive by reason of his transfer of employment to a Controlling Shareholder or a subsidiary or an associate of a Controlling Shareholder ("**Affiliated Company**"), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the board has determined; or
- (iv) in the event that the grantee ceases to be the Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to the Affiliated Company or the termination of his employment with the relevant member of our Group by resignation or termination on the grounds that he has been guilty of serious misconduct, or there exists grounds allowing his summary dismissal under his employment contract or under common law, or he is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or another applicable law, or he has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or he has been convicted of any criminal offence involving his integrity or honesty ("**Culpable Termination**"), the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation; or

- (v) in the event that the grantee ceases to be the Executive by reason of the termination of his employment by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification.

(k) *Cancellation of Options*

The Board shall be entitled to cancel any Option granted but not exercised in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice. Any Options cancelled cannot be re-granted.

(l) *Effect of alterations to capital*

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization issue, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the board may, if it considers the same to be appropriate, direct that adjustments be made to the maximum number of Shares subject to the Share Option Scheme, and/or the aggregate number of Shares subject to the Option so far as unexercised, and/or the subscription price of each outstanding Option, provided that any such adjustments will be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option will remain as nearly as practicable the same as (but shall not be greater than) it was before such alteration, and that any such adjustment shall be made in accordance with the provisions as stipulated under Chapter 23 of the GEM Listing Rules, supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and that no Share will be issued at less than its nominal value.

In respect of any such adjustment, other than any made on a Capitalization issue, an independent financial advisor or the auditors for the time being of our Company must confirm the Board that the adjustments satisfy the above requirements.

If there has been any alteration in the capital structure of our Company as referred above, our Company shall, upon receipt of a notice from a grantee in respect of the exercise of Option, inform the grantee of such alteration in accordance with the certificate of the independent financial advisor or auditors, or if no such certificate has been obtained, inform the grantee of such fact and instruct the auditors or independent financial advisor as soon as practicable thereafter to issue such certificate.

(m) Rights on a general offer by way of takeover and scheme of arrangement

If a general offer is made to all the Shareholders and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time within 21 days after the date on which the offer becomes or is declared unconditional (in the case of a takeover offer) or prior to such time and date as shall be notified by our Company (in the case of a scheme of arrangement).

(n) Rights on winding-up

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of our Company) by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have options unexercised at the same date as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of (i) the Option Period; (ii) the period of two months from the date of such notice; or (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph, all Options outstanding at the expiry of the relevant period referred to in this paragraph shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Options to place the grantee in the same position as would have been the case had such Shares been subject to such compromise or arrangement.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof.

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

(q) Alterations to terms and conditions

The Share Option Scheme may be altered in any respect by a resolution of the Board except for some material alterations thereto which shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under this Share Option Scheme.

(r) Conditionality of Share Option Scheme

The Share Option Scheme is conditional upon (a) the approval of the Shareholders of our Company for the adoption of the Share Option Scheme; and (b) the approval of the Stock Exchange for the listing of and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; (c) the obligations of the Underwriter under the Underwriting Agreements become unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (d) the commencement of dealing in the Shares.

If the above conditions are not satisfied within 30 days after the date of this prospectus or 12 calendar months from the approval of the Shareholders of our Company for its adoption, this Share Option Scheme shall forthwith determine, any Option granted or agreed to be granted pursuant to the Share Option Scheme shall lapse and be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Share Option Scheme or any option granted thereunder.

(s) *Period of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Effective Date. Upon the expiry of the Share Option Scheme, no further Options will be granted but the previous provisions of the Share Option Scheme shall remain in full force and effect in all other aspects to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(t) *Termination*

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further options shall be offered but the provision of the Share Option Scheme shall remain in force and effect in all respects to the extent necessary to give effect to the exercise of Options granted prior to such termination. All Options granted prior to such termination and was not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(u) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise period, vesting period in accordance with the GEM Listing Rules in force from time to time.

2. Present Status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the granting of the listing of and permission to deal in 24,000,000 Share which may fall to be allotted and issued pursuant to the exercise of the Options under the Share Option Scheme.

E OTHER INFORMATION

1. Estate duty, Tax and Other Indemnity

The deed of indemnity dated 26 June 2012 which has been superseded by the one dated 21 August 2013 both entered into by each of Mr. George Lu, Ms. Shen Wei and Forever Star (collectively the “**Indemnifiers**” and each an “**Indemnifier**”) with and in favour of our Group (“**Deed of Indemnity**”) to provide indemnities on a joint and several basis in relation to any Claims against the Group, and all losses, fees, expenses, penalties and interest sustained by any member of the Group due to any litigation, breach of laws or breach of contracts accruing on the date before the Placing becomes unconditional.

For the purpose of this sub-section, the term “**Claims**” include:

- (a) Any notice, requests, valuation, re-valuation, letters or documents issued or actions taken by any governmental authorities by which any company of our Group:
 - (i) bears the liability or potential liability to pay any amount, including estate duty, inheritance tax or any other tax liabilities on or before the Placing becomes unconditional; or
 - (ii) is deprived of or may be deprived of any tax concessions that may be obtainable by any company of our Group;
 - (iii) sustains any loss as a party to any legal proceedings, claims, arbitration, mediation, alternative dispute resolution or similar proceedings which are unsettled as at the date of this prospectus, save and except for any loss already settled and recorded in the audited consolidated accounts of our Group up to 31 March 2013, or a provision or reserve has been made for such loss in the audited consolidated accounts of our Group up to 31 March 2013; or
- (b) Any legal proceedings, claims, compensation, notices, requests, letters or other documents issued or actions taken by any Third Party Payor settling payments on behalf of the customers of our Group or the liquidators of such Third Party Payors, such that any company of our Group bears the liability or potential liability to pay the Third Party Payors or the liquidators of such Third Party Payors for such actions, matters or omissions, including any costs caused by such claims, taxation, interests, penalties, or arising out of litigation involving any anti-money laundering issues.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands and the PRC.

However, the indemnities given to our Group in relation to taxation does not cover any taxation claim to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the Placing becomes unconditional or to the extent that such claim arises or is increased by an increase in rates of taxation after the date on which the Placing becomes unconditional with retrospective effect.

2. Litigation

Save as disclosed in the sub-section headed “Business – Litigation and Legal Compliance” in this prospectus, none of our Company or any of its subsidiaries are engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue, the Shares to be issued under the Placing and the 24,000,000 Shares which fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

4. Promoters

There is no promoter of our Company.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$62,000 and are payable by our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus, and who has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of joint respective reports and/or valuation certificate and/or opinion and/or the references to their respective names in the form and context in which they are respectively included.

Name of expert	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Haitong International Capital Limited	Licensed under the SFO permitted to carry on Type 6 (advising on corporate finance) of the regulated activity for the purpose of the SFO
Angela Ho & Associates	Legal advisers as to Hong Kong Law
AllBright Law Offices	Legal advisers as to PRC law
Maples and Calder	Legal advisers as to Cayman Islands law
DTZ Debenham Tie Leung Limited	Professional surveyors and valuers

7. Material adverse changes

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

8. Miscellaneous

- (a) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued as fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder shares, management shares or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
- (d) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
- (e) Our Company has no outstanding convertible debt securities; and
- (f) All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

F BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned to be bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

G BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from compliance with Provisions) Notice (Chapter 32L).

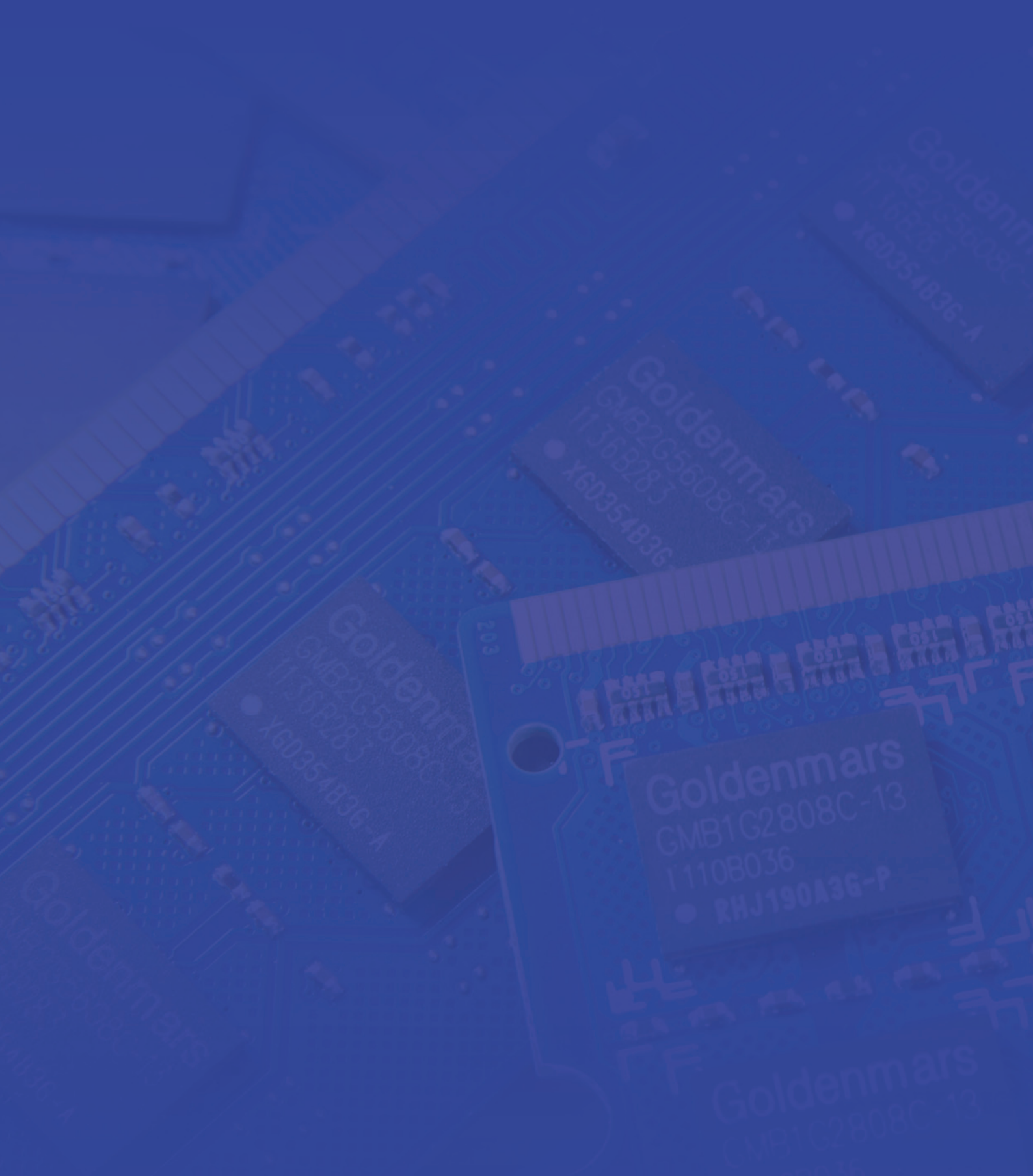
DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “Qualifications of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Angela Ho & Associates at 1109, Tower 1, Lippo Centre, 89 Queensway, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- the Memorandum and the Articles of Association;
- the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- the audited financial statements of the Company and where applicable, companies now comprising the Group during the Track Record Period;
- the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
- the full valuation report relating to the property interests of our Company prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III to this prospectus;
- the PRC Legal Opinion dated 30 August 2013 issued by AllBright Law Offices, our PRC Legal Advisers;
- the letter of advice dated 30 August 2013 prepared by Maples and Calder summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- copies of material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- the service agreements and letters of appointment referred to in the paragraph headed “Further Information about Our Directors, Management, Staff and Substantial Shareholders” in Appendix V to this prospectus;
- the written consents referred to in the paragraph headed “Qualifications of experts” in Appendix V to this prospectus;
- the Companies Law;
- the rules of the Share Option Scheme; and
- the HK legal opinion dated 30 August 2013 issued by Angela Ho & Associates, our HK Legal Advisers.



GoldenMars Technology