



**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)

**Third Quarterly Report 2013**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Goldenmars Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## **HIGHLIGHTS**

Turnover for the nine months ended 31 December 2013 was approximately HK\$622 million, representing a 113% increase from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company for the nine months ended 31 December 2013 was approximately HK\$27 million, representing a 116% increase from that of the Last Corresponding Period.

## **THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2013**

The board of Directors (the “Board”) of Goldenmars Technology Holdings Limited (the “Company”) is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2013 together with the unaudited comparative figures for the corresponding periods in 2012 (“Last Corresponding Period”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2012	2013	2012	2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	102,590	174,616	291,634	621,587
Cost of sales		<u>(88,280)</u>	<u>(166,553)</u>	<u>(257,490)</u>	<u>(566,392)</u>
<b>Gross profit</b>		14,310	8,063	34,144	55,195
Selling expenses		(811)	(875)	(2,363)	(2,673)
General and administrative expenses		(4,578)	(4,330)	(13,577)	(15,949)
Other income		<u>178</u>	<u>553</u>	<u>565</u>	<u>801</u>
<b>Operating profit</b>		9,099	3,411	18,769	37,374
Finance costs	4	<u>(561)</u>	<u>(497)</u>	<u>(2,030)</u>	<u>(2,597)</u>
<b>Profit before income tax</b>	5	8,538	2,914	16,739	34,777
Income tax expense	6	<u>(1,679)</u>	<u>(798)</u>	<u>(4,219)</u>	<u>(7,778)</u>
<b>Profit attributable to equity holders of the Company</b>		<u>6,859</u>	<u>2,116</u>	<u>12,520</u>	<u>26,999</u>
<b>Earnings per share</b>					
Basic and diluted (HK\$)	7	0.038	0.008	0.070	0.129
<b>Dividends</b>	8	0	0	0	14,830
<b>Comprehensive income</b>					
Profit for the period		6,859	2,116	12,520	26,999
<b>Other comprehensive income</b>					
Currency translation differences		<u>64</u>	<u>122</u>	<u>2</u>	<u>480</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>		<u>6,923</u>	<u>2,238</u>	<u>12,522</u>	<u>27,479</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Attributable to equity holders of the Company									
	Other reserves									
	Share Capital	Share premium	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	Sub Total	Retained Earnings	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			Note (a)	Note (b)	Note (c)					
<b>For 9 months ended</b>										
<b>31 December 2012</b>										
Balance as at 1 April 2012	100	-	50,374	2,480	1,042	3,148	57,044	36,446	93,590	
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	-	12,520	12,520	
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	2	2	-	2	
Total comprehensive income	-	-	-	-	-	2	2	12,520	12,522	
Balance as at 31 December 2012	<u>100</u>	<u>-</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,150</u>	<u>57,046</u>	<u>48,966</u>	<u>106,112</u>	
<b>For 9 months ended</b>										
<b>31 December 2013</b>										
Balance as at 1 April 2013	100	-	50,374	2,480	1,042	3,300	57,196	54,322	111,618	
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	-	26,999	26,999	
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	480	480	-	480	
Total comprehensive income	-	-	-	-	-	480	480	26,999	27,479	
Issuance of shares by placing	690	61,410	-	-	-	-	61,410	-	62,100	
Capitalisation issue	1,700	(1,700)	-	-	-	-	(1,700)	-	-	
Listing and share issuance expenses	-	(7,904)	-	-	-	-	(7,904)	-	(7,904)	
Special dividend declared on 21 August 2013	-	-	-	-	-	-	-	(14,830)	(14,830)	
Balance as at 31 December 2013	<u>2,490</u>	<u>51,806</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,780</u>	<u>109,482</u>	<u>66,491</u>	<u>178,463</u>	

*Notes:*

**(a) Merger reserve**

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

**(b) Capital reserve**

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

**(c) Statutory reserve**

The Company's subsidiary in the 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Goldenmars Technology Holdings 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. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 September 2013 (the “Listing”).

The Company is an investment holding company. The Group is principally engaged in 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”).

## 2. BASIS OF PRESENTATION AND PREPARATION

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

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certificate Public Accountants (“HKICPA”).

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2013.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements have been prepared under historical basis.

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

### 3. REVENUE AND SEGMENT INFORMATION

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

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

Revenue and segment information of the Group are analysed as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
DRAM chips	59,319	<b>86,979</b>	154,403	<b>326,639</b>
NAND flash	4,486	<b>31,828</b>	7,410	<b>135,013</b>
DRAM modules	30,578	<b>49,105</b>	110,562	<b>144,480</b>
USB flash drives	7,938	<b>6,088</b>	16,897	<b>14,646</b>
Provision of assembly services	54	<b>316</b>	1,830	<b>358</b>
Others	215	<b>300</b>	532	<b>451</b>
	<u>102,590</u>	<u><b>174,616</b></u>	<u>291,634</u>	<u><b>621,587</b></u>

All of the Group's sales were mostly originated in Hong Kong during the periods.



#### 4. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2012	2013	2012	2013
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Finance costs				
– Interest expenses on bank borrowings	552	496	1,998	2,584
– Interest expenses on finance lease liabilities	9	1	32	13
	<u>561</u>	<u>497</u>	<u>2,030</u>	<u>2,597</u>

#### 5. EXPENSES BY NATURE

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2012	2013	2012	2013
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Cost of inventories sold	86,336	164,885	251,349	560,471
Auditor's remuneration	155	50	166	571
Depreciation of property, plant and equipment	1,067	984	3,096	2,841
Advertising expenses	216	102	665	493
Freight and transportation expenses	348	233	895	698
Professional fee in respect of the IPO exercise	933	–	3,959	3,660
Other legal and professional fees	22	749	243	1,122
Employee benefit expenses	3,016	3,028	8,217	9,836
Reversal of impairment of trade receivables	–	–	–	(334)
Operating lease rentals of premises	281	360	845	940
Utilities expense	133	163	489	546
Others	1,162	1,204	3,506	4,170
Total	<u>93,669</u>	<u>171,758</u>	<u>273,430</u>	<u>585,014</u>

## 6. INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Current income tax:				
– Hong Kong profits tax	1,679	798	4,594	7,778
– PRC Enterprise Income Tax	–	–	–	–
Over-provision in prior years	–	–	(321)	–
Deferred income tax				
– Hong Kong profits tax	–	–	(54)	–
	<u>1,679</u>	<u>798</u>	<u>4,219</u>	<u>7,778</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 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 periods. No PRC Enterprise Income Tax has been provided as the PRC subsidiary has no assessable profits for the periods.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the three months ended and nine months ended 31 December 2013 of approximately HK\$2,116,000 and HK\$26,999,000 respectively (three months ended and nine months ended 31 December 2012: HK\$6,859,000 and HK\$12,520,000 respectively), and of the weighted average number of approximately 249,000,000 and 208,603,000 (three months ended and nine months ended 31 December 2012: 180,000,000 and 180,000,000) ordinary shares in issue during the periods respectively, assuming that 170,000,000 shares issued pursuant to the Capitalisation had been in issue throughout all periods.

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

## 8. DIVIDENDS

The Company has declared a special dividend of approximately HK\$14.8 million on 21 August 2013 as stated in the Prospectus, for the six months ended 30 September 2013 (2012: Nil) which was fully settled by 30 September 2013.

Apart from the aforementioned, the Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

DRAM prices climbed up steadily in the third quarter of 2013 after the Hynix's fire accident in September 2013. Responding to rapid market changes, the Group adhered to its prudent business strategy and strict inventory control to avoid unnecessary losses arising from price volatility. As a result, consistent and stable earnings were maintained which further consolidated the existing business and paved the way towards a more robust long-term business model.

To expand its operations in Taiwan, the Group established a branch in Taiwan during the third quarter of 2013. The recruited new sales forces led to significantly improving market penetration of the Group in addition to a satisfactory business growth.

Looking into the fourth quarter, DRAM prices are expected to stabilize while in flash memory segment, the market will be characterized by relatively ample supply and demand expectation to be fuelled by new tablet and mobile phone models. Meanwhile, the Group will work closely with suppliers to empower its core business with an aim at sustainable and stable earnings in the long run to provide shareholders more attractive returns.

On 15 November 2013, the Group entered into a joint venture agreement with VST Computers (H.K) Limited and Bozhou Shichuang Investment Company Limited to setup a Chinese-foreign equity joint venture, Bozhou Botong Supply Chain Co., Ltd. ("JV") in the PRC for the purposes of research and development, production and sale of smartphones and computer peripheral products. Further details of the investment in 35% equity interests in the JV are set out in the Company's announcement dated 15 November 2013.

With preparatory works in smooth progress, the JV is estimated to start production in the first quarter of next fiscal year. The Group will hold 35% of the registered capital in the JV. The Group have invested RMB9.8 million in the JV in late December 2013 and mainly capital expenditure were incurred by the JV from date of investment to 31 December 2013. The remaining approximately RMB9.5 million will be invested in the coming quarter.

## FINANCIAL REVIEW

The Group's revenue increased by approximately 113% from HK\$292 million to HK\$622 million for the nine months ended 31 December 2013 while HK\$175 million revenue was recorded for the three months ended 31 December 2013, representing a 70% increase as compared with the three months ended 31 December 2012.

Increase in revenue is mainly resulted from (i) new customers captured in 2013; (ii) trading of new products series, namely NAND Flash; and (iii) increase in trading orders of DRAM chips as driven by market demand.

Gross profit margin 8.9% were recorded for the nine months ended 31 December 2013 and 11.7% were recorded for the last corresponding period. Gross profit margin for the three months ended 31 December 2013 were 4.6% (2012: 13.9%).

Decrease in gross profit margin was mainly caused by the fluctuation in market price of raw materials during the three months ended 31 December 2013.

General and administrative expenses for the nine months ended 31 December 2013 increased by approximately HK\$2.4 million, representing a 17% increase from last corresponding period, which was mainly caused by the increase in IPO expenses and staff costs.

The increase in profit attributable to shareholders by approximately HK\$15 million for the nine months ended 31 December 2013 was mainly attributable to the growth of revenue and gross profit which was partially offset by the increase in expenses and income tax expenses.

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

As at 31 December 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long positions in ordinary shares of the Company

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

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

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

As at 31 December 2013, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following interest of which would fall to be disclosed under Division 2 and 3 of part XV of the SFO, or the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

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

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

- (1) Each of Mr. George Lu and Ms. Shen Wei holds 50% interest in Forever Star Capital Limited respectively.

### **SHARE OPTION SCHEME**

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

During the nine months ended 31 December 2013, no option was granted, exercised or lapsed under the Share Option Scheme.

## **INTEREST OF COMPLIANCE ADVISER**

As notified by Tanrich Capital Limited (“Tanrich”), the Company’s compliance adviser, except for the compliance adviser agreement entered into between the Company and Tanrich dated 28 August 2013, neither Tanrich nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2013 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

For the nine months ended 31 December 2013, none of the Directors, controlling shareholders of the Company or any of their respective associates is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

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

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 December 2013.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules from the date of listing (i.e. 9 September 2013) up to and including 31 December 2013.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the nine months ended 31 December 2013.

## **AUDIT COMMITTEE**

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the nine months ended 31 December 2013 and is of the opinion that such statements comply with the applicable accounting standards and requirement, and that adequate disclosure have been made.

By order of the Board  
**Goldenmars Technology Holdings Limited**  
**George Lu**  
*Chairman*

Hong Kong, 28 January 2014

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