



Goldenmars Technology Holdings Limited

晶芯科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8036)

First Quarterly Report 2015

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

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

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

HIGHLIGHTS

Revenue for the three months ended 30 June 2015 was approximately HK\$218.3 million, representing a 17.5% increase from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company for the three months ended 30 June 2015 was approximately HK\$5.3 million, representing a 100.9% increase from that of the Last Corresponding Period.

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2015 (2014: Nil).

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2015

The board of Directors (the “Board”) of Goldenmars Technology Holdings Limited (the “Company”) is pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2015 (the “Current Period”) together with the unaudited comparative figures for the corresponding period in 2014 (the “Last Corresponding Period”).

The audit committee, comprising all of the independent non-executive Directors, has reviewed the unaudited condensed consolidated results of the Group for the three months ended 30 June 2015 and is of the opinion that such results comply with the applicable accounting standards and requirement, and that adequate disclosure has been made.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	218,303	185,818
Cost of sales	6	(205,423)	(175,522)
Gross profit		12,880	10,296
Selling expenses	6	(417)	(709)
General & administrative expenses	6	(3,878)	(4,436)
Other income		241	514
Operating profit		8,826	5,665
Share of loss of a joint venture		(857)	(545)
Finance costs	5	(1,258)	(1,186)
Profit before income tax		6,711	3,934
Income tax expense	7	(1,446)	(1,313)
Profit for the period attributable to equity holders of the Company		<u>5,265</u>	<u>2,621</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	8	<u>HK1.81 cents</u>	<u>HK1.05 cents</u>
Dividends	9	<u>–</u>	<u>–</u>
Comprehensive income			
Profit for the period		5,265	2,621
Other comprehensive income			
Currency translation differences		(15)	(16)
Total comprehensive income attributable to equity holders of the Company		<u>5,250</u>	<u>2,605</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unaudited

Attributable to equity holders of the Company

	Other reserves							Sub total	Retained earnings	Total
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			<i>Note (a)</i>	<i>Note (b)</i>	<i>Note (c)</i>					
For the three months ended										
30 June 2015										
Balance as at 1 April 2015	2,640	65,333	50,374	2,480	1,042	3,784	123,013	81,629	207,282	
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	5,265	5,265	
Other comprehensive income										
Currency translation differences	-	-	-	-	-	(15)	(15)	-	(15)	
Total comprehensive income	-	-	-	-	-	(15)	(15)	5,265	5,250	
Transaction with owners										
Issuance of shares by placing	299	35,557	-	-	-	-	35,557	-	35,856	
Share issuance expenses	-	(1,076)	-	-	-	-	(1,076)	-	(1,076)	
Balance as at 30 June 2015	2,939	99,814	50,374	2,480	1,042	3,769	157,479	86,894	247,312	

Notes:

(a) Merger reserve

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

(b) Capital reserve

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

(c) Statutory reserve

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of electronic components and products.

The condensed consolidated financial information has not been audited.

2. BASIS OF 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 information has 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 Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. ACCOUNTING POLICIES

The accounting policies adopted in preparing the unaudited condensed consolidated financial information are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2015, 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 and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2015.

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

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 information has been prepared under historical basis.

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

Revenue of the Group is analysed as follows:

	For the three months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
DRAM chips	15,497	44,700
DRAM modules	38,219	46,113
NAND flash	37,235	28,778
CPU chips	124,807	63,121
USB flash drives	772	1,720
Provision of assembly services	1,769	797
Others	4	589
	218,303	185,818
	218,303	185,818

5. FINANCE COSTS

	For the three months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Finance costs		
– Interest expenses on bank borrowings	<u>1,258</u>	<u>1,186</u>

6. EXPENSES BY NATURE

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

	For the three months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	204,317	175,481
Provision for/(reversal of) impairment of inventories	401	(1,000)
Auditor's remuneration	308	233
Depreciation of property, plant and equipment	771	780
Freight and transportation expenses	75	91
Other legal and professional fees	592	374
Employee benefit expenses	2,335	3,120
Operating lease rentals of premises	159	189
Utilities	109	115
Others	651	1,284
	<u>209,718</u>	<u>180,667</u>

7. INCOME TAX EXPENSE

	For the three months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,473	1,272
– PRC corporate income tax	–	–
Deferred income tax		
– Hong Kong profits tax	(27)	41
	<u>1,446</u>	<u>1,313</u>

The Group is subject to both Hong Kong profits tax and PRC corporate income tax.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the three months ended 30 June 2015 of approximately HK\$5,265,000 (2014: HK\$2,621,000), and of the weighted average number of approximately 291,253,187 (2014: 249,000,000) ordinary shares in issue during the period.

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

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

In the first quarter of 2015, the Group maintained its overall growth momentum by virtue of its effective inventory and business strategy and prudent business approach, which enabled the Group to maintain steady operating revenue growth amid conservative demands in the quarter.

The joint venture, in which the Group holds 16.74% equity interest, has shown a steady growth in sales order since commencement of production in December 2014, and is expected to deliver steady revenue in the second half of 2015.

Looking ahead, the market will maintain stable development trend in the second half of 2015, coupled with a moderate increase in growth potential. Meanwhile, the Group will actively expand the market share, aiming to consolidate its core business and improve its profitability to bring fruitful return to the shareholders ultimately.

FINANCIAL REVIEW

The Group's revenue increased by approximately 17.5% from about HK\$185.8 million to about HK\$218.3 million for the three months ended 30 June 2015 as compared with the Last Corresponding Period.

Increase in revenue mainly resulted from increase in trading orders of CPU chips and NAND flash chips as driven by market demand, and was partially offset by the decrease in revenue of DRAM chips and modules.

Gross profit margin of approximately 5.9% for the Current Period remained fairly stable when compared with the Last Corresponding Period (2014: 5.5%).

Selling expenses as well as general and administrative expenses for the Current Period decreased by approximately HK\$0.3 million and HK\$0.6 million, representing about 41.2% and 12.6% decrease from the Last Corresponding Period respectively, were mainly due to the decrease in employee benefit expenses following the enhancement of organizational structure in previous year.

The increase in profit attributable to equity holders by approximately HK\$2.6 million for the Current Period was mainly attributable to the increase in revenue with fairly stable gross profit margin maintained.

PLACING OF SHARES UNDER GENERAL MANDATE

On 9 April 2015, the Company completed the placing of 29,880,000 ordinary shares under general mandate, and the net proceeds, after deducting the placing commission and other related expenses payable by the Company, were approximately HK\$34.8 million. The Company intended to use such net proceeds as general working capital (reference to the announcement of the Company dated 9 April 2015).

The Company's total number of shares issued after the abovementioned placing of shares under general mandate was 293,880,000 shares.

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

As at 30 June 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital
Mr. George Lu	Interest of controlled corporation (<i>Note 1</i>)	179,640,000	61.13
Ms. Shen Wei	Interest of controlled corporation (<i>Note 1</i>)	179,640,000	61.13
Ms. Lau Wing Sze	Interest of controlled corporation (<i>Note 2</i>)	360,000	0.12
Ms. Lau Wing Sze	Beneficial owner	1,578,000	0.54

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

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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

Name	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Forever Star Capital Limited (<i>Note</i>)	Beneficial owner	179,640,000	61.13

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

SHARE OPTION SCHEME

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

During the three months ended 30 June 2015, no option was granted, exercised or lapsed under the Share Option Scheme.

INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited (“China Everbright”), the Company’s compliance adviser, except for the compliance adviser agreement entered into between the Company and China Everbright dated 17 June 2014, neither China Everbright nor any of its directors or employees or associates had any material interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

For the three months ended 30 June 2015, none of the Directors, controlling shareholders of the Company or any of their respective associates is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the three months ended 30 June 2015.

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 throughout the Current Period.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the three months ended 30 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Corporate Governance 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 condensed consolidated results of the Group for the three months ended 30 June 2015 and is of the opinion that such results comply with the applicable accounting standards and requirement, and that adequate disclosure has been made.

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

Hong Kong, 14 August 2015

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.