



PHOENITRON

**PHOENITRON HOLDINGS LIMITED**

**品創控股有限公司**

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

**(Stock Code: 8066)**

**THIRD QUARTERLY RESULTS REPORT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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 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 Phoenix 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 of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

**SUMMARY**

- The Group recorded an unaudited revenue of HK\$143,758,000 for the nine months ended 30 September 2014, representing an increase of 52.2% as compared with that of the corresponding period in 2013.
- The unaudited profit attributable to the equity holders of the Company for the nine months ended 30 September 2014 was HK\$21,017,000.
- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2014.

## UNAUDITED THIRD QUARTERLY RESULTS

The board (the “Board”) of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and the nine months ended 30 September 2014 together with the comparative figures for the corresponding periods in 2013 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended		Nine months ended	
		30 September		30 September	
		2014	2013	2014	2013
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Revenue</b>	2	<b>68,099,270</b>	35,947,989	<b>143,758,407</b>	94,452,531
Cost of sales		<u>(58,667,261)</u>	<u>(32,777,731)</u>	<u>(126,525,662)</u>	<u>(88,488,634)</u>
Gross profit		<b>9,432,009</b>	3,170,258	<b>17,232,745</b>	5,963,897
Other income	3	<b>11,244,923</b>	6,493,136	<b>39,046,335</b>	15,894,333
Other gains and losses, net	4	<b>1,540,697</b>	(206,800)	<b>(536,429)</b>	(681,070)
Selling and distribution costs		<u>(1,690,966)</u>	<u>(1,784,722)</u>	<u>(5,297,283)</u>	<u>(5,135,386)</u>
Administrative expenses		<u>(7,709,845)</u>	<u>(8,221,935)</u>	<u>(23,493,207)</u>	<u>(23,209,651)</u>
Finance costs	5	<u>(3,147,616)</u>	<u>(1,046,410)</u>	<u>(5,381,866)</u>	<u>(1,598,622)</u>
<b>Profit (Loss) before income tax</b>		<b>9,669,202</b>	(1,596,473)	<b>21,570,295</b>	(8,766,499)
Income tax expense	6	<u>(380,765)</u>	<u>(51,215)</u>	<u>(546,765)</u>	<u>(425,622)</u>
<b>Profit (Loss) for the period</b>		<u><b>9,288,437</b></u>	<u>(1,647,688)</u>	<u><b>21,023,530</b></u>	<u>(9,192,121)</u>
<b>Other comprehensive income</b>					
Exchange gain (loss) on translation of financial statements of foreign operations		<u>238,182</u>	<u>201,648</u>	<u>(240,968)</u>	<u>1,324,008</u>
Other comprehensive income for the period		<u>238,182</u>	<u>201,648</u>	<u>(240,968)</u>	<u>1,324,008</u>
<b>Total comprehensive income for the period</b>		<u><b>9,526,619</b></u>	<u>(1,446,040)</u>	<u><b>20,782,562</b></u>	<u>(7,868,113)</u>

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2014	2013	2014	2013
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Profit (Loss) attributable to:</b>					
Equity holders of the Company		<b>9,282,352</b>	(1,647,688)	<b>21,017,445</b>	(9,192,121)
Non-controlling interests		<b>6,085</b>	–	<b>6,085</b>	–
		<b><u>9,288,437</u></b>	<b><u>(1,647,688)</u></b>	<b><u>21,023,530</u></b>	<b><u>(9,192,121)</u></b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		<b>9,520,491</b>	(1,446,040)	<b>20,776,434</b>	(7,868,113)
Non-controlling interests		<b>6,128</b>	–	<b>6,128</b>	–
		<b><u>9,526,619</u></b>	<b><u>(1,446,040)</u></b>	<b><u>20,782,562</u></b>	<b><u>(7,868,113)</u></b>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings (Loss) per share</b>					
	7				
– Basic		<b><u>0.2907</u></b>	(0.0521)	<b><u>0.6669</u></b>	(0.2925)
– Diluted		<b><u>0.2907</u></b>	N/A	<b><u>N/A</u></b>	N/A

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share		Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Warrant reserve*	Retained profits/(loss)*	Sub-total	Non-controlling interests	Total
	Share capital	Subscription received										
	HK\$	HK\$										
At 1 January 2013	60,886,700	30,000,000	214,470,073	1,360,008	7	15,204,944	(1,404,299)	3,411,187	113,080,885	437,009,505	-	437,009,505
2012 final dividend approved	-	-	(6,323,670)	-	-	-	-	-	-	(6,323,670)	-	(6,323,670)
Issue of shares upon exercise of unlisted warrants	2,350,000	(42,300,000)	42,240,371	-	-	-	-	(2,290,371)	-	-	-	-
Recognition of equity component of convertible bonds	-	-	-	-	3,612,087	-	-	-	-	3,612,087	-	3,612,087
Expenses incurred in relation to issue of convertible bonds	-	-	-	-	(57,563)	-	-	-	-	(57,563)	-	(57,563)
Cash paid by warrant holders to subscribe shares	-	12,300,000	-	-	-	-	-	-	-	12,300,000	-	12,300,000
<b>Transactions with owners</b>	<u>2,350,000</u>	<u>(30,000,000)</u>	<u>35,916,701</u>	<u>-</u>	<u>3,554,524</u>	<u>-</u>	<u>-</u>	<u>(2,290,371)</u>	<u>-</u>	<u>9,530,854</u>	<u>-</u>	<u>9,530,854</u>
Loss for the period	-	-	-	-	-	-	-	-	(9,192,121)	(9,192,121)	-	(9,192,121)
Other comprehensive income – Translation of foreign operations	-	-	-	-	-	1,324,008	-	-	-	1,324,008	-	1,324,008
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,324,008</u>	<u>-</u>	<u>-</u>	<u>(9,192,121)</u>	<u>(7,868,113)</u>	<u>-</u>	<u>(7,868,113)</u>
<b>At 30 September 2013</b>	<b><u>63,236,700</u></b>	<b><u>-</u></b>	<b><u>250,386,774</u></b>	<b><u>1,360,008</u></b>	<b><u>3,554,531</u></b>	<b><u>16,528,952</u></b>	<b><u>(1,404,299)</u></b>	<b><u>1,120,816</u></b>	<b><u>103,888,764</u></b>	<b><u>438,672,246</u></b>	<b><u>-</u></b>	<b><u>438,672,246</u></b>
At 1 January 2014	63,236,700	-	249,769,808	1,360,008	3,482,731	17,386,926	91,768	1,120,818	(27,932,934)	308,515,825	-	308,515,825
Lapse of unlisted warrants	-	-	-	-	-	-	-	(1,120,818)	1,120,818	-	-	-
Repurchase of shares	(86,800)	-	(166,643)	-	71,800	-	-	-	-	(181,643)	-	(181,643)
Issue of subscription shares	4,940,000	-	48,906,000	-	-	-	-	-	-	53,846,000	-	53,846,000
Expenses incurred in relation to issue of subscription shares	-	-	(269,000)	-	-	-	-	-	-	(269,000)	-	(269,000)
Redemption of convertible bonds	-	-	-	-	(3,058,561)	-	-	-	3,058,561	-	-	-
<b>Transactions with owners</b>	<u>4,853,200</u>	<u>-</u>	<u>48,470,357</u>	<u>-</u>	<u>(2,986,761)</u>	<u>-</u>	<u>-</u>	<u>(1,120,818)</u>	<u>4,179,379</u>	<u>53,395,357</u>	<u>-</u>	<u>53,395,357</u>
Profit for the period	-	-	-	-	-	-	-	-	21,017,445	21,017,445	6,085	21,023,530
Other comprehensive income – Translation of foreign operations	-	-	-	-	-	(241,011)	-	-	-	(241,011)	43	(240,968)
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,011)</u>	<u>-</u>	<u>-</u>	<u>21,017,445</u>	<u>20,776,434</u>	<u>6,128</u>	<u>20,782,562</u>
<b>At 30 September 2014</b>	<b><u>68,089,900</u></b>	<b><u>-</u></b>	<b><u>298,240,165</u></b>	<b><u>1,360,008</u></b>	<b><u>495,970</u></b>	<b><u>17,145,915</u></b>	<b><u>91,768</u></b>	<b><u>-</u></b>	<b><u>(2,736,110)</u></b>	<b><u>382,687,616</u></b>	<b><u>6,128</u></b>	<b><u>382,693,744</u></b>

\* The total of these accounts as at the reporting date represents “Reserves” in the consolidated statement of financial position.

## NOTES:

### 1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2014 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2014, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial information of the Group.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the period.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial information of the Group.

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

### 2. REVENUE

Turnover of the Group is the revenue from these activities. Revenue from the Group’s principal activities recognized during the period is as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Sales of smart cards and plastic cards	50,361,235	34,441,320	123,065,187	89,666,001
Sales of smart card application systems	8,000	8,170	33,940	22,728
Trading of scrap automobiles/metals	1,340,215	–	1,340,215	898,807
Trading of petro-chemical products	14,900,922	–	14,900,922	–
Financial and management consultancy services	1,488,898	1,498,499	4,418,143	3,864,995
	<u>68,099,270</u>	<u>35,947,989</u>	<u>143,758,407</u>	<u>94,452,531</u>

### 3. OTHER INCOME

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Interest income ( <i>note (a)</i> )	11,158,634	6,493,136	38,941,564	15,377,414
Government subsidy ( <i>note (b)</i> )	–	–	–	497,512
Sundry income	86,289	–	104,771	19,407
	<u>11,244,923</u>	<u>6,493,136</u>	<u>39,046,335</u>	<u>15,894,333</u>

Notes:

- (a) Interest income comprises interest income arising from amount due from joint ventures and bank deposits in aggregate which are financial assets not at fair value through profit or loss.
- (b) A one-off unconditional government subsidy received from the PRC government during the period.

### 4. OTHER GAINS AND LOSSES, NET

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
(Loss) on disposal of property, plant and equipment	(51,907)	–	(52,087)	(4,818)
Exchange gain/(loss), net	1,592,604	(206,800)	(484,342)	(676,252)
	<u>1,540,697</u>	<u>(206,800)</u>	<u>(536,429)</u>	<u>(681,070)</u>

### 5. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Interest on bank loans wholly repayable within five years	578,230	633,468	1,123,945	1,173,113
Interest element of finance lease payments	–	4,465	3,039	17,032
Interest on convertible bonds	2,397,129	408,477	3,764,858	408,477
Interest charges on other borrowings	172,257	–	490,024	–
	<u>3,147,616</u>	<u>1,046,410</u>	<u>5,381,866</u>	<u>1,598,622</u>

6. **INCOME TAX EXPENSE**

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
<b>Current tax</b>				
– Hong Kong Profits Tax				
Current year	<b>372,652</b>	31,100	<b>538,652</b>	368,100
Underprovision for prior year	–	20,115	–	20,115
	<b>372,652</b>	51,215	<b>538,652</b>	388,215
– PRC Enterprise Income Tax				
Current year	<b>8,113</b>	–	<b>8,113</b>	37,407
Total income tax expense	<b>380,765</b>	51,215	<b>546,765</b>	425,622

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Taxation for subsidiaries established and operated in the PRC is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to EIT at the rate of 25% (2013: 25%).

7. **DIVIDEND**

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: NIL).

8. **EARNINGS (LOSS) PER SHARE**

(a) **Basic losses per share**

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2014 is based on the profit attributable to the equity holders of the Company of HK\$9,282,352 and HK\$21,017,445 respectively (three months and nine months ended 30 September 2013: losses of HK\$1,647,688 and HK\$9,192,121 respectively) and the weighted average of 3,193,098,261 and 3,151,433,111 ordinary shares in issue during the periods (three months and nine months ended 30 September 2013: 3,161,835,000 and 3,142,375,293 ordinary shares respectively).



(b) **Diluted losses per share**

Diluted earnings per share for the nine months ended 30 September 2014 has not been presented as the exercise prices of the share options, unlisted warrants and convertible bonds granted by the Company was higher than the average market price of the Company's shares during the relevant period.

The calculation of diluted earnings per share for the three months ended 30 September 2014 is based on the profit of HK\$9,288,437 and the weighted average of 3,193,240,052 ordinary shares, calculated as follows:

	<b>Three months ended 30 September 2014</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	3,193,098,261
Effect of deemed issue of shares under the Company's share option scheme	<u>141,791</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>3,193,240,052</u></u>

No adjustment has been made to the basic loss per share for the three months and the nine months ended 30 September 2013 as the outstanding share options, warrants and convertible bonds are anti-dilutive effect on the basic loss per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operation and Financial Review

#### *Revenue*

For the nine months ended 30 September 2014, the Group's financial results was principally derived from its Intercard subsidiary which is engaged in the contract manufacturing and sales of smart cards and plastic cards, the provision of customised smart card application systems, the provision of management and financial consultancy services, trading of scrapped metals and also the trading of petro-chemical products from our new joint venture in Shanghai which has formally commenced business on latter half of September 2014.

During the period under review, the Group's revenue generated from the smartcard business (including module packaging and testing service) amounted to HK\$123.1 million, up by HK\$33.4 million or 37.2% as compared to the corresponding period in 2013 of HK\$89.7 million, among which HK\$91.8 million (nine months ended 30 September 2013: HK\$79.4 million) and HK\$31.3 million (nine months ended 30 September 2013: HK\$10.3 million) were attributable to the SIM cards business and the module packaging and testing service business respectively. Revenue of HK\$50.4 million generated during this quarter rose by HK\$10.8 million as compared to the revenue recorded in last quarter of HK\$39.6 million, it was mainly attributable to a rebound of contract manufacturing demand for SIM cards from a seasonally low Q1 of HK\$27.1 million, to \$34.6 million, as well as the continuous ramp up progress of the module packaging and testing service business, which generated a record high revenue of HK\$15.8 million in this quarter, as compared to HK\$9.5 million in last quarter. It is expected that commercial production shall continue to ramp up in the coming months.

The Group's new joint venture in Shanghai, whose main business operations shall be the setting up and operations of natural gas filling stations in the Yangtze River Delta region and other petrochemical related business, was formally established on 27 August 2014, and started to conduct the trading of petro-chemical products in the latter half of September 2014. During the period under review, revenue generated from this segment amounted to HK\$14.9 million. It is expected that this segment may become an increasingly important revenue and profit generator of the Group in the future.

Revenue generated from the provision of management and financial consultancy services amounted to HK\$4.4 million during the period under review, representing an increase of HK\$0.5 million as compared to the corresponding period in last year of HK\$3.9 million.

The Group's trading of scrap metal business generated a revenue of HK\$1.3 million during the period under review (nine months ended 30 September 2013: HK\$0.90 million). As the newly installed machines and equipment have undergone testing in the last quarter and began to contribute initial revenue in this quarter, it is expected that this business volume will also ramp up in the coming months.

### ***Cost of Sales and Gross Profit***

During the period under review, cost of sales increased by HK\$38.0 million, or 43.0%, from HK\$88.5 million for the corresponding period of 2013, to HK\$126.5 million. The increase in cost of sales was mainly attributable to the increase in the cost of materials due to the increase in sales of the various business segments as mentioned above.

As a result, gross profit increased to HK\$17.2 million, up by HK\$11.2 million, or 189.0%, as compared to the corresponding period in last year of HK\$6.0 million.

### ***Other Income***

Other revenue of HK\$39.0 million (nine months ended 30 September 2013: HK\$15.9 million) was mainly comprised of interest income arising from the amount due from joint ventures and bank deposits of HK\$38.9 million (nine months ended 30 September 2013: HK\$15.4 million) plus sundry revenue of HK\$0.1 million (nine months ended 30 September 2013: HK\$0.5 million).

### ***Other Gains or Losses***

During the period under review, other losses amounted to HK\$0.54 million (nine months ended 30 September 2013: HK\$0.68 million) which was represented primarily by the exchange losses arising from foreign currency-based transactions.

### ***Selling and Distribution Costs***

Selling and distribution costs increased slightly by 3.2% over the corresponding period in 2013 to HK\$5.30 million (nine months ended 30 September 2013: HK\$5.14 million), and was mainly attributable to the increase of promotional expenses and delivery costs associated with the increased sales of the smartcard business segment.

### ***Administrative Expenses***

Administrative expenses recorded a slight increase of HK\$0.29 million or 1.2% over the corresponding period in 2013 to HK\$23.50 million (nine months ended 30 September 2013: HK\$23.21 million). The increase was primarily attributable to the incurrence of certain legal fees during the period under review.

### ***Finance Costs***

During the period under review, the Group's finance costs amounted to HK\$5.38 million (nine months ended 30 September 2013: HK\$1.60 million), the increase was due largely to the interests accrued and payable in relation to the interest of the convertible bonds which were issued by the Company in 2013Q3, as well as the accounting adjustments on interest expenses upon the redemption of certain convertible bonds during the period.

### ***Share of Losses of a Joint Venture***

During the period under review, the Group did not recognize any further losses of Hota, a joint venture, as the Group's share of losses of Hota, has exceeded the interest in the jointly venture (nine months ended 30 September 2013: NIL).

### ***Income Tax Expense***

During the period under review, the income tax expense of the Group amounted to HK\$0.55 million (nine months ended 30 September 2013: HK\$0.43 million).

As a result of the foregoing, profit attributable to the equity holders of the Company for the nine months ended 30 September 2014 amounted to HK\$21.0 million, representing an increase of HK\$30.2 million as compared to the loss of HK\$9.2 million for the corresponding period in 2013.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, issuance of new shares, bank loans, finance lease arrangements and other borrowings. As at 30 September 2014, the Group had cash and bank balances of HK\$30.4 million, secured bank loans and other borrowings of HK\$45.0 million, and outstanding convertible bonds with the carrying balance of HK\$2.4 million.

As at 30 September 2014, the Group had current assets of HK\$400.8 million and current liabilities of HK\$130.8 million. The current ratio, expressed as current assets over current liabilities, was maintained at a level of approximately 3.0.

## **GEARING RATIO**

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 9.2% as at 30 September 2014 (30 June 2014: 13.1%).

## DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 30 September 2014, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or 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 or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Long/short Position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Lily Wu ( <i>Note 1</i> )	Beneficial owner	Long	1,000,000	5,000,000	0.176
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.154
Yang Meng Hsiu	Beneficial owner	Long	43,000,000	–	1.263

*Note:*

1. These include 5,000,000 share options conferring rights to subscribe for 5,000,000 shares.

Save as disclosed above, as at 30 September 2014, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group:

### Long positions in shares of the Company

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of interests
Golden Dice Co., Ltd. (Note 1)	Beneficial	Long	504,905,125	14.83
Best Heaven Limited (Note 1)	Beneficial	Long	315,865,000	9.28
Mr. Tsai Chi Yuan (Note 1)	Interests in controlled company	Long	820,770,125	24.11

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd. and Best Heaven Limited.

Save as disclosed above, as at 30 September 2014, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of any other member of the Group.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the nine months ended 30 September 2014, the Group complied with the code provisions in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A2.1 stipulated in the following paragraphs.

The Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu (“Ms. Wu”) serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified to separate the roles of chairman and chief executive officer; and
- The Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the nine months ended 30 September 2014.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. The chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

The Group’s unaudited results for the three months and the nine months ended 30 September 2014 have been reviewed by the audited committee.

## COMPETING INTERESTS

As at 30 September 2014, none of the directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2014, the Company redeemed certain convertible bonds of the Company in the principal amount of HK\$14,580,000 from certain holders of the convertible bonds. Besides, the Company repurchased and cancelled a total of 750,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$181,120.

Particulars of the repurchases are as follows:

Date of repurchase	No. of Shares	Price per share		Aggregate Price <i>HK\$</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
September	<u>750,000</u>	0.245	0.238	<u>181,120</u>

Save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the nine months ended 30 September 2014.

For and on behalf of the Board  
**Lily Wu**  
*Chairman*

Hong Kong, 13 November 2014