



PHOENITRON

**PHOENITRON HOLDINGS LIMITED**

**品創控股有限公司**

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

**(Stock code: 8066)**

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

**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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, 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 report.*

*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.*

**HIGHLIGHTS**

- Revenue for the three months ended 31 March 2015 amounted to HK\$291,842,000, representing an increase of 744.4% as compared to the corresponding period in 2014 of HK\$34,560,000.
- The Group recorded an unaudited profit attributable to the owners of the Company of HK\$5,824,000 for the three months ended 31 March 2015.
- The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2015.

## UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 31 March 2015 together with the comparative figures for the corresponding period in 2014 as follows:

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

		Three months ended	
		31 March	
	Notes	2015	2014
		HK\$	HK\$
<b>Revenue</b>	2	<b>291,842,018</b>	34,560,221
Cost of sales		<u>(283,608,184)</u>	<u>(31,598,933)</u>
Gross profit		<b>8,233,834</b>	2,961,288
Other income	3	<b>10,838,300</b>	9,791,320
Other losses, net	4	<b>(2,143,752)</b>	(358,571)
Selling and distribution costs		<b>(1,917,820)</b>	(1,678,360)
Administrative expenses		<b>(8,070,543)</b>	(8,193,898)
Finance costs		<u>(533,778)</u>	<u>(1,208,959)</u>
<b>Profit before income tax</b>		<b>6,406,241</b>	1,312,820
Income tax expense	5	<u>(503,796)</u>	<u>(38,000)</u>
<b>Profit for the period</b>		<u><b>5,902,445</b></u>	<u>1,274,820</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		<u>(251,111)</u>	<u>(444,195)</u>
Other comprehensive income for the period		<u>(251,111)</u>	<u>(444,195)</u>
<b>Total comprehensive income for the period</b>		<u><b>5,651,334</b></u>	<u>830,625</u>

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2015</b>	2014
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>5,823,848</b>	1,274,820
Non-controlling interests	<b>78,597</b>	–
	<u><b>5,902,445</b></u>	<u>1,274,820</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>5,568,087</b>	830,625
Non-controlling interests	<b>83,247</b>	–
	<u><b>5,651,334</b></u>	<u>830,625</u>
	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share for profit attributable to the owners of the Company</b>		
– Basic and diluted	<b>0.171</b>	0.040
	<u><b>0.171</b></u>	<u>0.040</u>

7

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31 March 2015*

	Share capital	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Warrant reserve*	Retained profits/ (Accumulated loss)*	Total reserve	Non-controlling interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
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)	245,279,125	-	308,515,825
Lapse of unlisted warrants	-	1,120,818	-	-	-	-	(1,120,818)	-	-	-	-
Early redemption on convertible bonds	-	-	-	(1,208,826)	-	-	-	1,208,826	-	-	-
Shares repurchase	(71,800)	-	-	71,800	-	-	-	-	71,800	-	-
<b>Transactions with owners</b>	<b>(71,800)</b>	<b>1,120,818</b>	<b>-</b>	<b>(1,137,026)</b>	<b>-</b>	<b>-</b>	<b>(1,120,818)</b>	<b>1,208,826</b>	<b>71,800</b>	<b>-</b>	<b>-</b>
Profit for the period	-	-	-	-	-	-	-	1,274,820	1,274,820	-	1,274,820
Other comprehensive income											
- Translation of foreign operations	-	-	-	-	(444,195)	-	-	-	(444,195)	-	(444,195)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(444,195)</b>	<b>-</b>	<b>-</b>	<b>1,274,820</b>	<b>830,625</b>	<b>-</b>	<b>830,625</b>
<b>At 31 March 2014</b>	<b>63,164,900</b>	<b>250,890,626</b>	<b>1,360,008</b>	<b>2,345,705</b>	<b>16,942,731</b>	<b>91,768</b>	<b>-</b>	<b>(25,449,288)</b>	<b>246,181,550</b>	<b>-</b>	<b>309,346,450</b>
At 1 January 2015	68,049,500	298,913,080	1,360,008	7	16,809,819	(11,739,442)	-	(161,087,228)	144,256,244	3,793,244	216,098,988
Profit for the period	-	-	-	-	-	-	-	5,823,848	5,823,848	78,597	5,902,445
Other comprehensive income											
- Translation of foreign operations	-	-	-	-	(255,761)	-	-	-	(255,761)	4,650	(251,111)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(255,761)</b>	<b>-</b>	<b>-</b>	<b>5,823,848</b>	<b>5,568,087</b>	<b>83,247</b>	<b>5,651,334</b>
<b>At 31 March 2015</b>	<b>68,049,500</b>	<b>298,913,080</b>	<b>1,360,008</b>	<b>7</b>	<b>16,554,058</b>	<b>(11,739,442)</b>	<b>-</b>	<b>(155,263,380)</b>	<b>149,824,331</b>	<b>3,876,491</b>	<b>221,750,322</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 three months ended 31 March 2015 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 2014.

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 2015, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, 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 unaudited 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 consolidated financial statements for the year ended 31 December 2014.

### 2. REVENUE

Revenue from the Group’s principal activities recognised during the reporting period is as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2015</b>	2014
	<b>HK\$</b>	HK\$
Sales of smart cards and plastic cards	<b>53,027,394</b>	33,084,650
Sales of smart card application systems	<b>10,050</b>	19,040
Sales of petro-chemical products	<b>237,348,043</b>	–
Financial and management consultancy services	<b>1,456,531</b>	1,456,531
	<b>291,842,018</b>	34,560,221

### 3. OTHER INCOME

	Three months ended	
	31 March	
	2015	2014
	HK\$	HK\$
Interest income ( <i>Note</i> )	10,837,838	9,779,320
Sundry income	462	12,000
	<u>10,838,300</u>	<u>9,791,320</u>

*Note:*

Interest income comprises interest income arising from amount due from a joint venture and bank deposits in aggregate which are financial assets not at fair value through profit or loss.

### 4. OTHER LOSSES, NET

	Three months ended	
	31 March	
	2015	2014
	HK\$	HK\$
Exchange losses, net	2,143,752	358,571
	<u>2,143,752</u>	<u>358,571</u>

### 5. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2015	2014
	HK\$	HK\$
<b>Current tax</b>		
Hong Kong Profits Tax:		
Current period	399,000	38,000
	<u>399,000</u>	<u>38,000</u>
PRC Enterprise Income Tax (“EIT”):		
Current period	104,796	–
	<u>104,796</u>	<u>–</u>
Total income tax expense	<u>503,796</u>	<u>38,000</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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% (2014: 25%).

## 6. DIVIDENDS

The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: NIL).

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2015 is based on the profit of HK\$5,823,848 (three months ended 31 March 2014: HK\$1,274,820) and the weighted average of 3,402,475,000 ordinary shares (three months ended 31 March 2014: 3,159,162,444 shares) in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2015 is based on the profit of HK\$5,823,848 (three months ended 31 March 2014: HK\$1,274,820) and the weighted average of 3,404,272,590 ordinary shares (three months ended 31 March 2014: 3,159,263,679 shares), calculated as follows:

	2015
Weighted average number of ordinary shares used in the calculation of basic earnings per share	3,402,475,000
Effect of deemed issue of shares under the Company's share option scheme	<u>1,797,590</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>3,404,272,590</u></u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Operations and Financial Review

#### *Revenue*

During the period under review, the Group's financial results was principally derived from contract manufacturing of smart cards and plastic cards, the provision of customised smart card application systems, the provision of management and financial consultancy services and the sales of petro-chemical products.

During the period under review, the Group's revenue generated from the smartcard business (including module packaging and testing service) amounted to HK\$53.0 million, up by HK\$19.9 million or 60.3% as compared to the corresponding period in 2014 of HK\$33.1 million, among which HK\$23.2 million (three months ended 31 March 2014: HK\$27.1 million) and HK\$29.8 million (three months ended 31 March 2014: HK\$6.0 million) were attributable to the smart cards manufacturing business and the module packaging and testing service business respectively. The increase in revenue over the prior year period was driven by increased demand for module packaging services, and larger proportion of non-SIM card manufacturing demand which is higher unit price. Revenue of HK\$53.0 million generated during the period under review dropped by HK\$18.2 million as compared to the revenue in 2014Q4 of HK\$71.2 million, as the first quarter of each year is a traditional low-season period and coupled with the fact that Intercard is no longer purchase card-bodies from a designated third party supplier of certain customers, which reduces revenue, but improves the Group's smartcard gross profit margin.

The Group's new joint venture in Shanghai, whose main business shall be the operation of natural gas filling stations in the Yangtze River Delta region and other petrochemical related business, started to conduct petro-chemical product sales in the latter half of September 2014. During the period under review, revenue generated from this segment amounted to HK\$237.3 million. It is expected that this segment may become an increasingly important profit generator of the Group in the future once the filling stations start operations, and would play a significant role in promoting a stable, healthy and sustainable development of clean energy in Yangtze River Delta economic zone in the PRC, and contribute to the development of green energy in the PRC.

Revenue generated from the provision of management and financial consultancy services amounted to HK\$1.46 million during the period under review (three months ended 31 March 2014: HK\$1.46 million).

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

During the period under review, cost of sales increased by HK\$252.0 million, or 797.5%, from HK\$31.6 million for the corresponding period of 2014, to HK\$283.6 million. The increase in cost of sales was largely attributable to (i) incurrence of cost of sales of HK\$236.8 million in relation to sales of petro-chemical products; and (ii) an increase of cost of sales of HK\$15.2 million for smartcard business (cost of sales for the module packaging and testing service business increased by HK\$20.4 million due to the significant increased sales but partially offset by the drop in third party card body cost of sales of HK\$5.2 million for the SIM cards business).

As a result, gross profit increased by HK\$5.2 million or 178.0%, from the corresponding period in last year of HK\$3.0 million, to HK\$8.2 million.

### ***Other Income***

Other revenue of HK\$10.8 million (three months ended 31 March 2014: HK\$9.8 million) was mainly comprised of interest income arising from the amount due from a joint venture and bank deposits of HK\$10.8 (three months ended 31 March 2014: HK\$9.8 million).

### ***Other Losses, net***

During the period under review, other losses amounted to HK\$2.14 million (three months ended 31 March 2014: HK\$0.36 million) which was represented by the exchange losses arising from foreign currency-based transactions.

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

Selling and distribution costs increased by 14.3% over the corresponding period in 2014 to HK\$1.92 million (three months ended 31 March 2014: HK\$1.68 million), and was mainly attributable to the increase in staff costs as salespersons were recruited for promoting the smartcard business segment.

### ***Administrative Expenses***

Administrative expenses recorded a slight decrease of HK\$0.1 million or 1.5% over the corresponding period in 2014 to HK\$8.1 million (three months ended 31 March 2014: HK\$8.2 million). The decrease was primarily attributable to the dropped of certain legal fees but partly offset by the incurrence of various costs in relation to our new sales of petro-chemical products segment.

### *Finance Costs*

During the period under review, the Group's finance costs amounted to HK\$0.53 million (three months ended 31 March 2014: HK\$1.21 million), the drop was due largely to the interests payment in 2014Q1 in relation to the certain convertible bonds of the Company which have been fully redeemed by end of 2014.

### *Income Tax Expense*

During the period under review, the income tax expense of the Group amounted to HK\$0.50 million (three months ended 31 March 2014: HK\$0.04 million).

As a result of the foregoing, profit for the three months ended 31 March 2015 amounted to HK\$5.9 million, representing an increase of about HK\$4.6 million as compared to about HK\$1.3 million for the corresponding period in 2014.

### **ACTIONS TAKEN OR TO BE TAKEN TO ADDRESS THE “EXCEPT FOR” QUALIFIED OPINION ISSUED BY AUDITORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

In response to the “except for” qualified opinion of the auditors, the Board has already underway or plans to take the following actions:

- (a) *Conclude negotiations with potential investors on cooperation in respect of HOTA Auto Recycling Corp. (“HARC”)*

As disclosed in the announcements of the Company dated 24 November 2014 and 3 February 2015 respectively, the Company is negotiating with 2 parties (each, the “potential investor”) for the possible co-operations of developing the end-of-life (“ELV”) vehicle recycling business. One of them is a world advanced enterprise engaging in resources and waste materials recycling and re-use which includes but is not limited to the ELV recycling business and the other one is a conglomerate with diversified businesses and strong geographical advantages and network in Shanghai region where HARC is located. The framework of the co-operations would involve an injection of a sizable amount of cash by the potential investor in exchange for certain shareholding of HARC and to take control of HARC's operations. It is expected that by successfully introducing new strategic shareholders and injecting new capital to HARC, HARC will be able to resume operations with the necessary expertise and skills, management, and network. More importantly, HARC should be able to repay some portion of the outstanding loans due to the Company and there will be a reference of the market value of the remaining shareholding in HARC, which is held by Hota (USA) (Fine Wise, a subsidiary of the Company, is interested in 57.81% of the entire share capital of Hota (USA) as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue).

Up to the date of this report and as disclosed in the announcements of the Company dated 24 November 2014 and 3 February 2015, the Company has signed certain non-legally binding letter of intent/confidentiality with each of these two potential investors and the negotiations are still underway. Despite no legally-binding agreements have been reached, the progress is satisfactory from the Board's point of view. In addition, the Company continues to solicit other suitable investor(s) and opportunities for possible co-operation(s) (the target parties are those sizeable co-operations engaging in ELV recycling business). The Board aims that the possible co-operations can be crystalized in the coming months. Further announcement will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

It is also believed that after the resumption of the operations of HARC, HARC would be able to secure sufficient funding to meet its financing and working capital requirements from banks and/or other financial institutions, and therefore would be able to repay the outstanding debts due to the Company.

*(b) Conduct fund-raising activities to finance the development of HARC*

The above plan should be of first priority. However, if it was not successful, the Company might consider to launch a back-up plan where the Company would raise funds sufficient for resuming the ELV recycling business. In this regard, the Company has obtained the verbal representation from a substantial shareholder of the Company of full financial support on the portion of the shortfall in case the Company fails to raise sufficient funds in the market. By doing so, it is hopeful that HARC would be able to repay the Company through the profits/cash generated from its operating/financing activities in the subsequent years.

*(c) Assess the possibility of the winding-up of Hota Group*

In assessing the recoverability of the amount due from Hota Group and the amount to be impaired, the Board also considered that in the worst case where HARC needs to be wound up, the assets would then be sold in the market and the proceeds will be applied to repay the creditors. Based on the management accounts provided by Hota Group, as at 31 December 2014, the total assets and the total liabilities of HARC amounted to RMB237,800,000 and RMB266,200,000, respectively. The difference of RMB28,400,000 can be satisfied as the land acquired by HARC a few years ago is stated at cost, which has since appreciated in the past few years for this particular industrial park. So roughly speaking, the value of the assets of HARC can cover its liabilities. In this regard, being a creditor of HARC, the Company has applied to the Court for the debt confirmation on 2014Q1 and the final settlement agreement reached between the Company and HARC was endorsed by the local governing Court. Actually, the balance represents the amount due from HARC to the Group as at the end of 2014.

In view of the above, the Board considers that the above actions taken or to be taken by the Company are sufficient to address the concerns raised by the Auditors.

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

As at 31 March 2015, 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	0.18
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.15
Yang Meng Hsiu	Beneficial owner	Long	43,000,000	–	1.26

*Note:*

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

Save as disclosed above, as at 31 March 2015, 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 31 March 2015, 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:

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	511,625,125	15.04
Best Heaven Limited (Note 1)	Beneficial	Long	315,865,000	9.28
Mr. Tsai Chi Yuan (Note 1)	Interests in controlled company	Long	827,490,125	24.32

### Notes:

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 31 March 2015, 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 carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, bank and other borrowings. As at 31 March 2015, the Group had cash and bank balances of HK\$28.4 million, secured bank loans and other borrowings of HK\$44.8 million.

As at 31 March 2015, the Group had current assets of HK\$502.2 million and current liabilities of HK\$333.6 million. The current ratio, expressed as current assets over current liabilities, was maintained at a level of about 1.5.

## **GEARING RATIO**

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was about 8.1% as at 31 March 2015 (31 December 2014: 11.5%).

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. 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 Group's results for the three months ended 31 March 2015 have been reviewed by the audit committee.

## **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 three months ended 31 March 2015, 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 three months ended 31 March 2015.

## **COMPETING INTERESTS**

As at 31 March 2015, none of the directors or the management shareholders or any of its 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**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the three months ended 31 March 2015.

By order of the Board  
**Lily Wu**  
*Chairman*

Hong Kong, 8 May 2015