



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 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 Exchange 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.

SUMMARY

- The Group recorded an unaudited turnover of HK\$915,374,000 for the six months ended 30 June 2015, representing an increase of 1,110% as compared with that of the corresponding period in 2014.
- The unaudited profit attributable to the owners of the Company for the six months ended 30 June 2015 was HK\$12,093,000.
- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2015.

UNAUDITED INTERIM 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 six months ended 30 June 2015 together with the comparative figures for the corresponding periods in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	2	623,531,834	41,098,916	915,373,852	75,659,137
Cost of sales		(617,133,981)	(36,259,468)	(900,742,165)	(67,858,401)
Gross profit		6,397,853	4,839,448	14,631,687	7,800,736
Other income	3	11,012,042	18,010,092	21,850,342	27,801,412
Other gains/(losses), net	4	1,372,973	(1,718,555)	(770,779)	(2,077,126)
Selling and distribution costs		(1,916,293)	(1,927,957)	(3,834,113)	(3,606,317)
Administrative expenses		(8,649,065)	(7,589,464)	(16,719,608)	(15,783,362)
Finance costs	5	(470,949)	(1,025,291)	(1,004,727)	(2,234,250)
Profit before income tax	6	7,746,561	10,588,273	14,152,802	11,901,093
Income tax expense	7	(1,127,244)	(128,000)	(1,631,040)	(166,000)
Profit for the period		6,619,317	10,460,273	12,521,762	11,735,093

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange gain/(loss) on translation of financial statements of foreign operations	<u>465,252</u>	<u>(34,955)</u>	<u>214,141</u>	<u>(479,150)</u>
Other comprehensive income for the period	<u>465,252</u>	<u>(34,955)</u>	<u>214,141</u>	<u>(479,150)</u>
Total comprehensive income for the period	<u>7,084,569</u>	<u>10,425,318</u>	<u>12,735,903</u>	<u>11,255,943</u>
Profit for the period attributable to:				
Owners of the Company	<u>6,268,696</u>	10,460,273	<u>12,092,544</u>	11,735,093
Non-controlling interests	<u>350,621</u>	–	<u>429,218</u>	–
	<u>6,619,317</u>	<u>10,460,273</u>	<u>12,521,762</u>	<u>11,735,093</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	<u>5,897,586</u>	10,425,318	<u>11,465,673</u>	11,255,943
Non-controlling interests	<u>1,186,983</u>	–	<u>1,270,230</u>	–
	<u>7,084,569</u>	<u>10,425,318</u>	<u>12,735,903</u>	<u>11,255,943</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share				
– Basic and diluted	<u>0.173</u>	<u>0.331</u>	<u>0.344</u>	<u>0.371</u>

9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		41,673,748	47,263,213
Intangible assets		420,000	420,000
Prepayment for acquisition of property, plant and equipment		5,720,781	4,037,701
Interest in an associate		527,805	527,805
Long-term financial assets		2,158,058	2,158,058
		50,500,392	54,406,777
Current assets			
Inventories	10	22,829,522	14,351,860
Trade and other receivables	11	486,881,155	100,810,795
Amount due from a joint venture	12	188,070,506	164,311,322
Amount due from non-controlling interests		17,787,625	4,293,968
Pledged bank deposit		4,269,997	6,820,908
Cash and cash equivalents		39,656,371	19,475,200
		759,495,176	310,064,053
Current liabilities			
Trade and other payables	13	445,928,023	105,941,806
Borrowings		27,557,556	41,887,129
Current tax liabilities		1,640,053	538,200
		475,125,632	148,367,135
Net current assets		284,369,544	161,696,918
Total assets less current liabilities		334,869,936	216,103,695
Non-current liabilities			
Deferred tax liabilities		4,707	4,707
		4,707	4,707
Net assets		334,865,229	216,098,988
EQUITY			
Share capital		75,741,500	68,049,500
Reserves		240,834,117	144,256,244
Equity attributable to the owners of the Company		316,575,617	212,305,744
Non-controlling interests		18,289,612	3,793,244
Total equity		334,865,229	216,098,988

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Contributed surplus* HK\$	Share option reserve* HK\$	Other reserves* HK\$	Translation reserve* HK\$	Available- for-sale financial assets revaluation reserve* HK\$	Warrant reserve* HK\$	Retained profits/ (Accumulated losses)* HK\$	Total reserves HK\$	Non- controlling interests HK\$	Total 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	-	-
Transactions with owners	<u>(71,800)</u>	<u>1,120,818</u>	<u>-</u>	<u>(1,137,026)</u>	<u>-</u>	<u>-</u>	<u>(1,120,818)</u>	<u>1,208,826</u>	<u>71,800</u>	<u>-</u>	<u>-</u>
Profit for the period	-	-	-	-	-	-	-	11,735,093	11,735,093	-	11,735,093
Other comprehensive income - Translation of foreign operations	-	-	-	-	(479,150)	-	-	-	(479,150)	-	(479,150)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(479,150)</u>	<u>-</u>	<u>-</u>	<u>11,735,093</u>	<u>11,255,943</u>	<u>-</u>	<u>11,255,943</u>
At 30 June 2014	<u>63,164,900</u>	<u>250,890,626</u>	<u>1,360,008</u>	<u>2,345,705</u>	<u>16,907,776</u>	<u>91,768</u>	<u>-</u>	<u>(14,989,015)</u>	<u>256,606,868</u>	<u>-</u>	<u>319,771,768</u>
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
Issue of shares upon shares subscription	7,692,000	85,112,200	-	-	-	-	-	-	85,112,200	-	92,804,200
Transactions with owners	<u>7,692,000</u>	<u>85,112,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,112,200</u>	<u>-</u>	<u>92,804,200</u>
Profit for the period	-	-	-	-	-	-	-	12,092,544	12,092,544	429,218	12,521,762
Other comprehensive income - Translation of foreign operations	-	-	-	-	(626,871)	-	-	-	(626,871)	841,012	214,141
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,871)</u>	<u>-</u>	<u>-</u>	<u>12,092,544</u>	<u>11,465,673</u>	<u>1,270,230</u>	<u>12,735,903</u>
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	13,226,138	13,226,138
At 30 June 2015	<u>75,741,500</u>	<u>384,025,280</u>	<u>1,360,008</u>	<u>7</u>	<u>16,182,948</u>	<u>(11,739,442)</u>	<u>-</u>	<u>(148,994,684)</u>	<u>240,834,117</u>	<u>18,289,612</u>	<u>334,865,229</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Net cash (used in)/generated from operating activities	(66,597,804)	4,987,630
Net cash used in investing activities	(4,927,486)	(4,847,265)
Net cash generated from/(used in) financing activities	91,696,083	<u>(7,300,566)</u>
Net increase/(decrease) in cash and cash equivalents	20,170,793	(7,160,201)
Cash and cash equivalents brought forward	19,475,200	12,087,545
Effect of foreign exchange rate changes	10,378	<u>(98,707)</u>
Cash and cash equivalents carried forward	<u>39,656,371</u>	<u>4,828,637</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the six months ended 30 June 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 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 2014.

2. SEGMENT INFORMATION AND REVENUE

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The directors have reviewed the operations of the Group for the six months ended 30 June 2015 based on its products and services and have accordingly identified five reportable operating segments as follows:

- (i) Sales of smart cards (including provision of module packaging and testing services);
- (ii) Sales of smart cards application systems;
- (iii) Financial and management consultancy services;
- (iv) Trading of scrap metals; and
- (v) Sales of petro-chemical products

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss is the same as those used in preparing these financial statements under HKFRSs except that finance costs, income tax, corporate income and expenses and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible assets, interest in an associate, long-term financial assets, amount due from non-controlling interests, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as pledged bank deposits and cash and cash equivalents.

Segment liabilities include all liabilities, except for tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as borrowings.

2015

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Trading of scrap metals <i>HK\$</i>	Sales of petro-chemical products <i>HK\$</i>	Corporate/ Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment revenue	<u>83,512,295</u>	<u>14,900</u>	<u>2,929,245</u>	<u>-</u>	<u>828,917,412</u>	<u>-</u>	<u>915,373,852</u>
Reportable segment (loss)/profit	<u>(5,796,684)</u>	<u>(17,267)</u>	<u>24,358,692</u>	<u>(1,672,068)</u>	<u>2,287,571</u>	<u>(14,016)</u>	<u>19,146,228</u>
Finance costs							<u>(1,004,727)</u>
Unallocated interest income							<u>14,985</u>
Corporate expenses, net							<u>(4,003,684)</u>
Profit before income tax							<u><u>14,152,802</u></u>

2014

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Trading of scrap metals <i>HK\$</i>	Sales of petro-chemical products <i>HK\$</i>	Corporate/ Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment revenue	<u>72,703,952</u>	<u>25,940</u>	<u>2,929,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,659,137</u>
Reportable segment (loss)/profit	<u>(9,738,925)</u>	<u>(3,005)</u>	<u>29,823,591</u>	<u>(1,647,187)</u>	<u>-</u>	<u>(14,012)</u>	<u>18,420,462</u>
Finance costs							<u>(2,234,250)</u>
Unallocated interest income							<u>13,256</u>
Corporate expenses, net							<u>(4,298,375)</u>
Profit before income tax							<u><u>11,901,093</u></u>

30 June 2015

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Trading of scrap metals <i>HK\$</i>	Sales of petro-chemical products <i>HK\$</i>	Corporate/ Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment assets	<u>131,069,826</u>	<u>5,250</u>	<u>192,691,165</u>	<u>4,001,437</u>	<u>417,397,742</u>	<u>10,292</u>	745,175,712
Interest in an associate							527,805
Long-term financial assets							2,158,058
Intangible assets							420,000
Amount due from non-controlling interests							17,787,625
Pledged bank deposits							4,269,997
Cash and cash equivalents							<u>39,656,371</u>
Total consolidated assets							<u>809,995,568</u>
Reportable segment liabilities	<u>91,906,495</u>	<u>19,304</u>	<u>2,048,068</u>	<u>324,909</u>	<u>351,629,247</u>	<u>-</u>	445,928,023
Borrowings							27,557,556
Current tax liabilities							1,640,053
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>475,130,339</u>

31 December 2014

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Trading of scrap metals <i>HK\$</i>	Sales of petro-chemical products <i>HK\$</i>	Corporate/ Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment assets	<u>145,833,651</u>	<u>6,175</u>	<u>168,059,906</u>	<u>4,116,464</u>	<u>12,744,485</u>	<u>14,210</u>	330,774,891
Interest in an associate							527,805
Long-term financial assets							2,158,058
Intangible assets							420,000
Amount due from non-controlling interests							4,293,968
Pledged bank deposits							6,820,908
Cash and cash equivalents							<u>19,475,200</u>
Total consolidated assets							<u>364,470,830</u>
Reportable segment liabilities	<u>104,093,626</u>	<u>14,500</u>	<u>1,298,320</u>	<u>481,300</u>	<u>54,060</u>	<u>–</u>	105,941,806
Borrowings							41,887,129
Current tax liabilities							538,200
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>148,371,842</u>

3. OTHER INCOME

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Interest income (<i>note (a)</i>)	11,012,042	18,003,610	21,849,880	27,782,930
Sundry income	–	6,482	462	18,482
	<u>11,012,042</u>	<u>18,010,092</u>	<u>21,850,342</u>	<u>27,801,412</u>

Notes:

- (a) 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 GAINS/(LOSSES), NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Loss on disposal of property, plant and equipment	(6,250)	(180)	(6,250)	(180)
Exchange gains/(losses), net	1,379,223	(1,718,375)	(764,529)	(2,076,946)
	<u>1,372,973</u>	<u>(1,718,555)</u>	<u>(770,779)</u>	<u>(2,077,126)</u>

5. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Interest on bank loans wholly repayable within five years	287,911	266,906	509,407	545,715
Interest element of finance lease payments	–	811	–	3,039
Interest on convertible bonds	–	578,352	–	1,367,729
Interest charges on other borrowings	183,038	179,222	495,320	317,767
	<u>470,949</u>	<u>1,025,291</u>	<u>1,004,727</u>	<u>2,234,250</u>

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Cost of inventories recognised as expenses	617,133,981	36,259,468	900,742,165	67,858,401
Depreciation	4,244,121	4,239,854	8,421,111	8,455,495
	<u>617,133,981</u>	<u>36,259,468</u>	<u>900,742,165</u>	<u>67,858,401</u>
	<u>4,244,121</u>	<u>4,239,854</u>	<u>8,421,111</u>	<u>8,455,495</u>

7. INCOME TAX EXPENSE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Current tax				
– Hong Kong Profits Tax				
Current year	659,000	128,000	1,058,000	166,000
– PRC Enterprise Income Tax (“EIT”)				
Current year	468,244	–	573,040	–
	<u>468,244</u>	<u>–</u>	<u>573,040</u>	<u>–</u>
Total income tax expense	<u>1,127,244</u>	<u>128,000</u>	<u>1,631,040</u>	<u>166,000</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%).

8. DIVIDEND

The board does not recommend any payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: NIL).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months and the six months ended 30 June 2015 is based on the profit of HK\$6,268,696 and HK\$12,092,544 respectively (three months and six months ended 30 June 2014: HK\$10,460,273 and HK\$11,735,093 respectively) and the weighted average of 3,630,699,176 and 3,517,217,541 ordinary shares in issue during the periods (three months and six months ended 30 June 2014: 3,158,245,000 and 3,158,701,188 ordinary shares respectively).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months and the six months ended 30 June 2015 is based on the profit of HK\$6,268,696 and HK\$12,092,544 respectively and the weighted average of 3,633,115,843 and 3,519,311,291 ordinary shares, calculated as follows:

	Three months ended 30 June 2015	Six months ended 30 June 2015
Weighted average number of ordinary shares used in the calculation of basic earnings per share	3,630,699,176	3,517,217,541
Effect of deemed issue of shares under the Company's share option scheme	<u>2,416,667</u>	<u>2,093,750</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>3,633,115,843</u></u>	<u><u>3,519,311,291</u></u>

Diluted earnings per share for the three months and the six months 30 June 2014 have 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 periods.

10. INVENTORIES

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
Raw materials	18,771,048	9,216,409
Work-in-progress	1,699,182	2,766,994
Finished goods	<u>2,359,292</u>	<u>2,368,457</u>
	<u><u>22,829,522</u></u>	<u><u>14,351,860</u></u>

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
Trade receivables, net (<i>note</i>)	466,310,812	75,278,247
Other receivables, deposits and prepayments	20,570,343	25,532,548
	<u>486,881,155</u>	<u>100,810,795</u>

Note:

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables net of impairment provision is as follows:

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
0 – 30 days	191,173,680	27,346,701
31 – 90 days	248,683,375	42,592,648
Over 90 days	26,453,757	5,338,898
	<u>466,310,812</u>	<u>75,278,247</u>

The ageing analysis of trade receivables net of impairment provision that are past due but not impaired, based on due date, is as follows:

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
Neither past due nor impaired	219,786,478	57,549,355
1 – 30 days past due	111,592,877	9,062,142
31 – 90 days past due	132,565,382	7,337,333
Over 90 days past due	2,366,075	1,329,417
	<u>466,310,812</u>	<u>75,278,247</u>

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. AMOUNT DUE FROM A JOINT VENTURE

The balances as at 30 June 2015 comprise loans (after impairment) to Hota (USA) and to Hota Auto Recycling Corp., a wholly owned subsidiary of Hota (USA) which are unsecured, interest bearing at 10% (2014: 10%) and 24% (2014: 24%) per annum respectively (collectively the “Loans”). The Loans are repayable on demand.

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
Trade payables (<i>note</i>)	427,409,438	86,229,425
Other payables and accrual	18,518,585	19,712,381
	445,928,023	105,941,806

Note:

Credit period granted by suppliers normally range from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	Unaudited 30 June 2015 HK\$	Audited 31 December 2014 HK\$
0 – 30 days	190,169,163	24,695,103
31 – 60 days	176,318,952	23,709,848
61 – 90 days	14,347,744	12,467,289
Over 90 days	46,573,579	25,357,185
	427,409,438	86,229,425

Due to short maturity period, the carrying values of the Group’s trade and other payables are considered to be reasonable approximation of their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the period under review, the Group's financial results was principally derived from contract manufacturing of smart 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\$83.5 million, up by HK\$10.8 million or 14.9% as compared to the corresponding period in 2014 of HK\$72.7 million, among which HK\$45.5 million (six months ended 30 June 2014: HK\$57.2 million) and HK\$38.0 million (six months ended 30 June 2014: HK\$15.5 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. However, revenue of HK\$30.5 million generated in the second quarter dropped by HK\$22.5 million as compared to the revenue in 2015Q1 of HK\$53.0 million, as the demand from leading PRC telecommunication market customers dropped during the period as they consumed existing stock which has short-term adversely affected the whole SIM cards contract manufacturing industry.

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\$828.9 million. The management will increase the product variety of the business and expects that revenue generated from sales of petro-chemical products will continue to growth in the second half of 2015. On the other hand, filling stations operating permit applications have been made and are now pending for approval. Once the filling stations start operations, it is expected that the business will bring initial revenue and profit contribution to the Group in the second half of 2015. Natural gas usage should play a significant role in promoting the use of a stable, healthy and sustainable clean energy in the Yangtze River Delta economic zone in the PRC, and contribute to the development of green energy in the PRC. The management will place increasing time and resources on developing this business segment in the future.

Revenue generated from the provision of management and financial consultancy services amounted to HK\$2.9 million during the period under review (six months ended 30 June 2014: HK\$2.9 million).

Cost of Sales and Gross Profit

During the period under review, cost of sales increased by HK\$832.8 million, or 1,227%, from HK\$67.9 million for the corresponding period of 2014, to HK\$900.7 million. The increase in cost of sales was largely attributable to (i) incurrence of cost of sales of HK\$826.1 million in relation to sales of petro-chemical products; and (ii) an increase of cost of sales of HK\$6.5 million for smartcard business (cost of sales for the module packaging and testing service business increased by HK\$20.7 million due to the significant increased sales but partially offset by the drop in third party card body cost of sales of HK\$14.2 million for the SIM cards business).

As a result, gross profit increased by HK\$6.8 million or 87.6%, from the corresponding period in last year of HK\$7.8 million, to HK\$14.6 million.

Other Income

Other revenue of HK\$21.9 million (six months ended 30 June 2014: HK\$27.8 million) was mainly comprised of interest income arising from the amount due from a joint venture and bank deposits.

Other Losses, net

During the period under review, other losses amounted to HK\$0.77 million (six months ended 30 June 2014: HK\$2.08 million) which was represented primarily by the exchange losses arising from foreign currency-based transactions.

Selling and Distribution Costs

Selling and distribution costs increased by 6.3% over the corresponding period in 2014 to HK\$3.83 million (six months ended 30 June 2014: HK\$3.61 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 an increase of HK\$0.9 million or 5.9% over the corresponding period in 2014 to HK\$16.7 million (six months ended 30 June 2014: HK\$15.8 million). The increase was primarily attributable to the incurrence of various costs in relation to our new sales of petro-chemical products segment and also due to the increase in various expenses.

Finance Costs

During the period under review, the Group's finance costs amounted to HK\$1.00 million (six months ended 30 June 2014: HK\$2.23 million), the drop was due largely to the interests payment for the first half of 2014 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\$1.63 million (six months ended 30 June 2014: HK\$0.17 million).

As a result of the foregoing, profit for the six months ended 30 June 2015 amounted to HK\$12.5 million, representing an increase of about HK\$0.8 million as compared to about HK\$11.7 million for the corresponding period in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, bank loans, net proceeds upon completion of share subscription and other borrowings. As at 30 June 2015, the Group had cash and bank balances of HK\$43.9 million and secured bank loans and other borrowings of HK\$27.6 million.

As at 30 June 2015, the Group had current assets of HK\$759.5 million and current liabilities of HK\$475.1 million. The current ratio, expressed as current assets over current liabilities, was maintained at a level of 1.6.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 3.4% as at 30 June 2015 (31 December 2014: 11.5%).

EMPLOYEE INFORMATION

As at 30 June 2015, the Group employed a total of 491 employees, of which 14 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was HK\$23.1 million for the period under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

Save as disclosed under section headed "Operation and Financial Review" and "Notes to the Unaudited Interim Financial Statements" above, there were no other significant investments for the period ended 30 June 2015.

CHARGE ON GROUP ASSETS

At 30 June 2015, certain machinery and equipment with the carrying amount of HK\$16.0 million (31 December 2014: HK\$17.4 million) and bank deposits of HK\$4.3 million (31 December 2014: HK\$6.8 million) were pledged by the Company's subsidiaries as collaterals to secure general banking facilities granted to the Group. In additions, the Company's subsidiary has assigned the trade receivables of certain customers to secure borrowings amounting to HK\$7.7 million (31 December 2014: HK\$9.8 million) granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under section headed "Operation and Financial Review" and "Notes to the Unaudited Interim Financial Statements" above, there were no future plans for material investments or capital assets as at 30 June 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in Renminbi ("RMB"), Great British Pounds ("GBP"), Euro ("EUR") and United States Dollars ("US\$"). These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

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

As at 30 June 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	0.16
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.14
Yang Meng Hsiu	Beneficial owner	Long	43,000,000	–	1.14

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 June 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 30 June 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:

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	511,625,125	13.51
Best Heaven Limited (Note 1)	Beneficial	Long	315,865,000	8.34
Mr. Tsai Chi Yuan (Note 1)	Interests in controlled company	Long	827,490,125	21.85

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 June 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 rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the “New Share Option Scheme”) was approved and adopted. The share options are fully vested at the date of grant. Movements of the share options under the New Share Option Scheme during the period were as follows:

Name of participant	At	Granted/ Exercised/ Forfeited	At	Date of grant	Exercisable period	Exercise price <i>HK\$</i>
	1 January 2015	during the period	30 June 2015			
Executive Director						
Lily Wu	5,000,000	–	5,000,000	17 November 2008	17 November 2008 to 16 November 2018	0.186

As at 30 June 2015, the remaining life of the New Share Option Scheme was about 2.5 years.

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 six months ended 30 June 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 six months ended 30 June 2015.

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 six months ended 30 June 2015 have been reviewed by the audit committee.

COMPETING INTERESTS

As at 30 June 2015, 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2015.

For and on behalf
of the Board
Lily Wu
Chairman

Hong Kong, 12 August 2015