



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 REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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\$1,631,842,000 for the nine months ended 30 September 2015, representing an increase of 1,035.1% as compared with that of the corresponding period in 2014.
- The unaudited profit attributable to the equity holders of the Company for the nine months ended 30 September 2015 was HK\$13,323,000.
- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2015.

UNAUDITED THIRD 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 and the nine months ended 30 September 2015 together with the comparative figures for the corresponding periods in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2015	2014	2015	2014
		HK\$	HK\$	HK\$	HK\$
Revenue	2	716,468,539	68,099,270	1,631,842,391	143,758,407
Cost of sales		<u>(711,437,416)</u>	<u>(58,667,261)</u>	<u>(1,612,179,581)</u>	<u>(126,525,662)</u>
Gross profit		5,031,123	9,432,009	19,662,810	17,232,745
Other income	3	9,251,396	11,244,923	31,101,738	39,046,335
Other (losses)/gains, net	4	(826,901)	1,540,697	(1,597,680)	(536,429)
Selling and distribution costs		(1,717,892)	(1,690,966)	(5,552,005)	(5,297,283)
Administrative expenses		(8,089,578)	(7,709,845)	(24,809,186)	(23,493,207)
Finance costs	5	(336,547)	(3,147,616)	(1,341,274)	(5,381,866)
Profit before income tax		3,311,601	9,669,202	17,464,403	21,570,295
Income tax expense	6	(1,676,239)	(380,765)	(3,307,279)	(546,765)
Profit for the period		<u>1,635,362</u>	<u>9,288,437</u>	<u>14,157,124</u>	<u>21,023,530</u>
Other comprehensive income					
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(6,034,849)</u>	<u>238,182</u>	<u>(5,820,708)</u>	<u>(240,968)</u>
Other comprehensive income for the period		<u>(6,034,849)</u>	<u>238,182</u>	<u>(5,820,708)</u>	<u>(240,968)</u>
Total comprehensive income for the period		<u>(4,399,487)</u>	<u>9,526,619</u>	<u>8,336,416</u>	<u>20,782,562</u>

		Three months ended		Nine months ended	
		30 September		30 September	
		2015	2014	2015	2014
<i>Notes</i>		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit attributable to:					
	Equity holders of the Company	1,230,312	9,282,352	13,322,856	21,017,445
	Non-controlling interests	405,050	6,085	834,268	6,085
		<u>1,635,362</u>	<u>9,288,437</u>	<u>14,157,124</u>	<u>21,023,530</u>
Total comprehensive income attributable to:					
	Equity holders of the Company	(3,431,080)	9,520,491	8,034,593	20,776,434
	Non-controlling interests	(968,407)	6,128	301,823	6,128
		<u>(4,399,487)</u>	<u>9,526,619</u>	<u>8,336,416</u>	<u>20,782,562</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
			8		
	– Basic	<u>0.0326</u>	0.2907	<u>0.3698</u>	0.6669
	– Diluted	<u>0.0326</u>	0.2907	<u>0.3696</u>	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Warrant reserve*	Retained profits/ (Accumulated Losses)*	Total Reserves	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	-	-	-
Repurchase of shares	(86,800)	(166,643)	-	71,800	-	-	-	-	(94,843)	-	(181,643)
Issue of subscription shares	4,940,000	48,906,000	-	-	-	-	-	-	48,906,000	-	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	-	-	-
Transactions with owners	<u>4,853,200</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>48,542,157</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)
Total comprehensive income for the period	<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>
At 30 September 2014	<u>68,089,900</u>	<u>298,240,165</u>	<u>1,360,008</u>	<u>495,970</u>	<u>17,145,915</u>	<u>91,768</u>	<u>-</u>	<u>(2,736,110)</u>	<u>314,597,716</u>	<u>6,128</u>	<u>382,693,744</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
Repurchase of shares	(422,000)	(4,340,552)	-	-	-	-	-	-	(4,340,552)	-	(4,762,552)
Issue of subscription shares	7,692,000	85,381,200	-	-	-	-	-	-	85,381,200	-	93,073,200
Expenses incurred in relation to issue of subscription shares	-	(269,000)	-	-	-	-	-	-	(269,000)	-	(269,000)
Transactions with owners	<u>7,270,000</u>	<u>80,771,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,771,648</u>	<u>-</u>	<u>88,041,648</u>
Profit for the period	-	-	-	-	-	-	-	13,322,856	13,322,856	834,268	14,157,124
Other comprehensive income											
- Translation of foreign operations	-	-	-	-	(5,288,263)	-	-	-	(5,288,263)	(532,445)	(5,820,708)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,288,263)</u>	<u>-</u>	<u>-</u>	<u>13,322,856</u>	<u>8,034,593</u>	<u>301,823</u>	<u>8,336,416</u>
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	15,683,625	15,683,625
At 30 September 2015	<u>75,319,500</u>	<u>379,684,728</u>	<u>1,360,008</u>	<u>7</u>	<u>11,521,556</u>	<u>(11,739,442)</u>	<u>-</u>	<u>(147,764,372)</u>	<u>233,062,485</u>	<u>19,778,692</u>	<u>328,160,677</u>

* 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 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 consolidated financial statements for the year ended 31 December 2014.

2. REVENUE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Sales of smart cards and plastic cards	26,140,015	50,361,235	109,652,310	123,065,187
Sales of smart card application systems	4,750	8,000	19,650	33,940
Financial and management consultancy services	1,488,898	1,488,898	4,418,143	4,418,143
Trading of scrap metals	–	1,340,215	–	1,340,215
Trading of petro-chemical products	688,834,876	14,900,922	1,517,752,288	14,900,922
	<u>716,468,539</u>	<u>68,099,270</u>	<u>1,631,842,391</u>	<u>143,758,407</u>

3. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Interest income (<i>note</i>)	9,244,422	11,158,634	31,094,302	38,941,564
Sundry income	6,974	86,289	7,436	104,771
	<u>9,251,396</u>	<u>11,244,923</u>	<u>31,101,738</u>	<u>39,046,335</u>

Note:

Interest income comprises interest income arising from amount due from a joint venture (Note 9) and bank deposits in aggregate which are financial assets not at fair value through profit or loss.

4. OTHER (LOSSES)/GAINS, NET

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Loss on disposal of property, plant and equipment	(149,192)	(51,907)	(155,442)	(52,087)
Loss on disposal of long-term financial assets	(114,954)	–	(114,954)	–
Exchange (loss)/gain, net	(562,755)	1,592,604	(1,327,284)	(484,342)
	<u>(826,901)</u>	<u>1,540,697</u>	<u>(1,597,680)</u>	<u>(536,429)</u>

5. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Interest on bank loans wholly repayable within five years	224,811	578,230	734,218	1,123,945
Interest element of finance lease payments	–	–	–	3,039
Interest on convertible bonds	–	2,397,129	–	3,764,858
Interest charges on other borrowings	111,736	172,257	607,056	490,024
	<u>336,547</u>	<u>3,147,616</u>	<u>1,341,274</u>	<u>5,381,866</u>

6. INCOME TAX EXPENSE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Current tax				
– Hong Kong Profits Tax				
Current year	478,000	372,652	1,536,000	538,652
Under provision for prior year	657,726	–	657,726	–
	1,135,726	372,652	2,193,726	538,652
– PRC Enterprise Income Tax (“EIT”)				
Current year	540,513	8,113	1,113,553	8,113
Total income tax expense	1,676,239	380,765	3,307,279	546,765

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%).

7. DIVIDEND

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: NIL).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2015 is based on the profit attributable to the equity holders of the Company of HK\$1,230,312 and HK\$13,322,856 respectively (three months and nine months ended 30 September 2014: HK\$9,282,352 and HK\$21,017,445 respectively) and the weighted average of 3,772,070,380 and 3,603,102,015 ordinary shares in issue during the periods (three months and nine months ended 30 September 2014: 3,193,098,261 and 3,151,433,111 ordinary shares respectively).

(b) **Diluted earnings per share**

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2015 is based on the profit of HK\$1,230,312 and HK\$13,322,856 respectively (three months ended 30 September 2014: HK\$9,282,352) and the weighted average of 3,773,787,476 and 3,605,104,868 ordinary shares respectively (three months ended 30 September 2014: 3,193,240,052 ordinary shares), calculated as follows:

	Three months ended 30 September 2015	Nine months ended 30 September 2015
Weighted average number of ordinary shares used in the calculation of basic earnings per share	3,772,070,380	3,603,102,015
Effect of deemed issue of shares under the Company's share option scheme	<u>1,717,096</u>	<u>2,002,853</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>3,773,787,476</u></u>	<u><u>3,605,104,868</u></u>

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.

9. AMOUNT DUE FROM A JOINT VENTURE

The balance as at 30 September 2015 was HK\$195,424,520 (30 June 2015: HK\$188,070,506), comprises loans (after impairment) to Hota (USA) Holdings Corp. ("Hota (USA)") and to Hota Auto Recycling Corporation (a wholly owned subsidiary of Hota (USA)) (collectively the "Loans"). The loans are unsecured, interest bearing from 10% per annum to 24% per annum and repayable on demand.

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\$109.7 million, down by HK\$13.4 million or 10.9% as compared to the corresponding period in 2014 of HK\$123.1 million, among which HK\$63.6 million (nine months ended 30 September 2014: HK\$91.8 million) and HK\$46.1 million (nine months ended 30 September 2014: HK\$31.3 million) were attributable to the smart cards manufacturing business and the module packaging and testing service business respectively. The decrease in revenue over the prior year period was due to the fact that Intercard is no longer purchasing card-bodies from a designated third party supplier of certain customers (which reduces revenue, but improves the Group's smartcard gross profit margins). Additionally, revenue of HK\$26.1 million generated in the third quarter dropped by HK\$4.4 million as compared to the revenue in 2015Q2 of HK\$30.5 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 petro-chemical 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\$1,517.8 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 grow through to the end of 2015. Filling stations operating permit applications have been made and are still pending for approval at this time. Once the filling stations start operations, it is expected that the business will bring immediate revenue and profit contribution to the Group. 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\$4.4 million during the period under review (nine months ended 30 September 2014: HK\$4.4 million).

Cost of Sales and Gross Profit

During the period under review, cost of sales increased by HK\$1,485.7 million, or 1,174%, from HK\$126.5 million for the corresponding period of 2014, to HK\$1,612.2 million. The increase in cost of sales was largely attributable to the incurrence of cost of sales of HK\$1,512.5 million in relation to sales of petro-chemical products but partially offset by the drop of cost of sales of HK\$11.0 million for smartcard business (cost of sales for the module packaging and testing service business increased by HK\$17.9 million due to the increased sales but partially offset by the drop in third party card body cost of sales of HK\$28.9 million for the SIM cards business). As a result, gross profit increased by HK\$2.5 million or 14.1%, from the corresponding period in last year of HK\$17.2 million, to HK\$19.7 million.

Other Income

Other revenue of HK\$31.1 million (nine months ended 30 September 2014: HK\$39.0 million) was mainly comprised of interest income arising from the amount due from a joint venture and bank deposits. The drop was attributable to the adjustment (downward) on interest rate charged to a joint venture and also due to the fact that an adjustment on interest income was made in last year for the under-provision in prior period.

Other Losses, net

During the period under review, other losses amounted to HK\$1.60 million (nine months ended 30 September 2014: HK\$0.54 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 4.8% over the corresponding period in 2014 to HK\$5.6 million (nine months ended 30 September 2014: HK\$5.3 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\$1.3 million or 5.6% over the corresponding period in 2014 to HK\$24.8 million (nine months ended 30 September 2014: HK\$23.5 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\$1.34 million (nine months ended 30 September 2014: HK\$5.38 million). The drop was due largely to the interest payment for the first three quarters of 2014 in relation to the certain convertible bonds of the Company which were fully redeemed by end of 2014.

Income Tax Expense

During the period under review, the income tax expense of the Group amounted to HK\$3.31 million (nine months ended 30 September 2014: HK\$0.55 million). The increase was attributable to the incurrence of EIT for the subsidiary conducting the sales of petro-chemical products in Shanghai, as well as the increase in HK tax expenses as the assessable profits derived by Intercard increased (better performance of the overseas SIM card market).

As a result of the foregoing, profit for the nine months ended 30 September 2015 amounted to HK\$14.1 million, representing a drop of about HK\$6.9 million as compared to about HK\$21.0 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 September 2015, the Group had cash and bank balances of HK\$27.2 million and secured bank loans and other borrowings of HK\$26.0 million. As at 30 September 2015, the Group had current assets of HK\$372.6 million and current liabilities of HK\$88.6 million. The current ratio, expressed as current assets over current liabilities, was maintained at a level of 4.2.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 6.2% as at 30 September 2015 (30 June 2015: 3.4%).

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

As at 30 September 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:

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

Save as disclosed above, as at 30 September 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 September 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. <i>(Note 1)</i>	Beneficial	Long	511,625,125	13.58
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	315,865,000	8.39
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	827,490,125	21.97

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 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 1 January 2015	Granted/ Exercised/ Cancelled/ Lapsed during the period	At 30 Sept 2015	Date of grant	Exercisable period	Exercise price <i>HK\$</i>
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 September 2015, the remaining life of the New Share Option Scheme was about 2.25 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015 have been reviewed by the audit committee.

COMPETING INTERESTS

As at 30 September 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

During the nine months ended 30 September 2015, the Company repurchased and cancelled a total of 21,100,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$4,727,415.

Particulars of the repurchases are as follows:

Date of repurchase	No. of Shares	Price per share		Aggregate Price HK\$
		Highest HK\$	Lowest HK\$	
July	12,625,000	0.234	0.207	2,764,035
August	7,675,000	0.249	0.215	1,774,110
September	<u>800,000</u>	0.242	0.228	<u>189,270</u>
Total	<u>21,100,000</u>			<u>4,727,415</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 2015.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 12 November 2015