PHOENITRON HOLDINGS LIMITED
品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

THIRD QUARTERLY RESULTS REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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 Stock 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.

This report, for which the directors (the "Director(s)") of Phoenitron 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$1,995,970,000 for the nine months ended 30 September 2016, representing an increase of 22.3% as compared with that of the corresponding period in 2015.

- The unaudited loss attributable to the owners of the Company for the nine months ended 30 September 2016 was HK$234,951,000.

- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2016.

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 2016 together with the comparative figures for the corresponding periods in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
		2016	2015	**2016**	2015
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
Revenue	*2*	**594,032,906**	716,468,539	**1,995,969,758**	1,631,842,391
Cost of sales		**(592,965,052)**	(711,437,416)	**(1,983,993,799)**	(1,612,179,581)
Gross profit		**1,067,854**	5,031,123	**11,975,959**	19,662,810
Other income	*3*	**664,221**	9,251,396	**18,699,516**	31,101,738
Other gains/(losses), net	*4*	**2,520,707**	(826,901)	**940,674**	(1,597,680)
Selling and distribution costs		**(1,572,503)**	(1,717,892)	**(5,851,690)**	(5,552,005)
Administrative expenses		**(7,353,565)**	(8,089,578)	**(24,847,428)**	(24,809,186)
Impairment loss on available-for-sale financial assets		**(11,739,442)**	–	**(11,739,442)**	–
Impairment loss on amount due from a joint venture		**(222,005,577)**	–	**(222,005,577)**	–
Finance costs	*5*	**(109,871)**	(336,547)	**(546,020)**	(1,341,274)
(Loss)/profit before income tax		**(238,528,176)**	3,311,601	**(233,374,008)**	17,464,403
Income tax expense	*6*	**(537,521)**	(1,676,239)	**(1,023,113)**	(3,307,279)
(Loss)/profit for the period		**(239,065,697)**	1,635,362	**(234,397,121)**	14,157,124

	Notes	Unaudited Three months ended 30 September **2016** ***HK$***	 2015 *HK$*	Unaudited Nine months ended 30 September **2016** ***HK$***	 2015 *HK$*
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange loss on translation of financial statements of foreign operations		**(1,209,119)**	(6,034,849)	**(2,487,832)**	(5,820,708)
Item that was reclassified to profit or loss:					
Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment of assets		**11,739,442**	–	**11,739,442**	–
Other comprehensive income for the period		**10,530,323**	(6,034,849)	**9,251,610**	(5,820,708)
Total comprehensive income for the period		**(228,535,374)**	(4,399,487)	**(225,145,511)**	8,336,416
(Loss)/profit attributable to:					
Equity holders of the Company		**(239,264,609)**	1,230,312	**(234,951,153)**	13,322,856
Non-controlling interests		**198,912**	405,050	**554,032**	834,268
		(239,065,697)	1,635,362	**(234,397,121)**	14,157,124
Total comprehensive income attributable to:					
Equity holders of the Company		**(228,413,484)**	(3,431,080)	**(225,080,704)**	8,034,593
Non-controlling interests		**(121,890)**	(968,407)	**(64,807)**	301,823
		(228,535,374)	(4,399,487)	**(225,145,511)**	8,336,416
		HK cents	*HK cents*	***HK cents***	*HK cents*
(Loss)/earnings per share	*8*				
– Basic		**(6.3585)**	0.0326	**(6.2431)**	0.3698
– Diluted		**(6.3585)**	0.0326	**(6.2431)**	0.3696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Share capital *HK$*	**Contributed surplus*** *HK$*	**Share option reserve*** *HK$*	**Other reserves*** *HK$*	**Translation reserve*** *HK$*	**Available-for-sale financial assets revaluation reserve*** *HK$*	**Accumulated Losses*** *HK$*	**Total Reserves** *HK$*	**Non-controlling interests** *HK$*	**Total** *HK$*
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	7,270,000	80,771,648	–	–	–	–	–	80,771,648	–	88,041,648
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	–	–	–	–	(5,288,263)	–	13,322,856	8,034,593	301,823	8,336,416
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	15,683,625	15,683,625
At 30 September 2015	**75,319,500**	**379,684,728**	**1,360,008**	**7**	**11,521,556**	**(11,739,442)**	**(147,764,372)**	**233,062,485**	**19,778,692**	**328,160,677**
At 1 January 2016	75,283,900	377,510,078	1,360,008	7	8,834,474	(11,739,442)	(155,557,975)	220,407,150	25,456,771	321,147,821
Repurchase of shares	(25,400)	(156,693)	–	–	–	–	–	(156,693)	–	(182,093)
Transactions with owners	(25,400)	(156,693)	–	–	–	–	–	(156,693)	–	(182,093)
Loss for the period	–	–	–	–	–	–	(234,951,153)	(234,951,153)	554,032	(234,397,121)
Other comprehensive income										
– Translation of foreign operations	–	–	–	–	(1,868,993)	–	–	(1,868,993)	(618,839)	(2,487,832)
– Reclassification adjustment of available-for-sale financial assets revaluation reserve upon impairment of assets	–	–	–	–	–	11,739,442	–	11,739,442	–	11,739,442
Total comprehensive income for the period	–	–	–	–	(1,868,993)	11,739,442	(234,951,153)	(225,080,704)	(64,807)	(225,145,511)
At 30 September 2016	**75,258,500**	**377,353,385**	**1,360,008**	**7**	**6,965,481**	**-**	**(390,509,128)**	**(4,830,247)**	**25,391,964**	**95,820,217**

* 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 2016 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information also includes the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2015.

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 2016, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2015, as described in those audited annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited 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 unaudited 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 unaudited 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 audited annual consolidated financial statements of the Group for the year ended 31 December 2015.

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**	
	2016	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*
Sales of smart cards *	**20,843,287**	26,140,015	**66,875,139**	109,652,310
Sales of smart card application systems	**8,220**	4,750	**23,720**	19,650
Financial and management consultancy services	**–**	1,488,898	**2,941,130**	4,418,143
Sales of petro-chemical products	**573,181,399**	688,834,876	**1,926,129,769**	1,517,752,288
	594,032,906	716,468,539	**1,995,969,758**	1,631,842,391

* Renamed from "Sales of smart cards and plastic cards" to "Sales of smart cards".

3. **OTHER INCOME**

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2016	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*
Interest income *(note)*	**534**	9,244,422	**18,007,803**	31,094,302
Sundry income	**663,687**	6,974	**691,713**	7,436
	664,221	9,251,396	**18,699,516**	31,101,738

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 GAINS/(LOSSES), NET**

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2016	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*
Gain/(loss) on disposal of property, plant and equipment	**2,241,729**	(149,192)	**2,241,729**	(155,442)
Loss on disposal of long-term financial assets	**–**	(114,954)	**–**	(114,954)
Exchange gain/(loss), net	**278,978**	(562,755)	**(1,301,055)**	(1,327,284)
	2,520,707	(826,901)	**940,674**	(1,597,680)

5. **FINANCE COSTS**

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2016	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*
Interest on bank loans wholly repayable within five years	**84,037**	224,811	**426,199**	734,218
Interest charges on other borrowings	**25,834**	111,736	**119,821**	607,056
	109,871	336,547	**546,020**	1,341,274

6. INCOME TAX EXPENSE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2016	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*
Current tax				
– Hong Kong Profits Tax				
Current year	**272,000**	478,000	**296,000**	1,536,000
Under provision for prior year	**–**	657,726	**–**	657,726
	272,000	1,135,726	**296,000**	2,193,726
– PRC Enterprise Income Tax (“EIT”)				
Current year	**265,521**	540,513	**727,113**	1,113,553
Total income tax expense	**537,521**	1,676,239	**1,023,113**	3,307,279

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%).

7. DIVIDEND

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and the nine months ended 30 September 2016 is based on the unaudited loss attributable to the equity holders of the Company of HK$239,264,609 and HK$234,951,153 respectively (three months and nine months ended 30 September 2015: profit of HK$1,230,312 and HK$13,322,856 respectively) and the weighted average of 3,762,925,000 and 3,763,348,321 ordinary shares in issue during the periods (three months and nine months ended 30 September 2015: 3,772,070,380 and 3,603,102,015 ordinary shares respectively).

(b) Diluted (loss)/earnings per share

No adjustment has been made to basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the three months ended and nine months ended 30 September 2016.

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2015 is based on the unaudited profit attributable to the equity holders of the Company of HK$1,230,312 and HK$13,322,856 respectively and the weighted average of 3,773,787,476 and 3,605,104,868 ordinary shares respectively, 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	**1,717,096**	**2,002,853**
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,773,787,476**	**3,605,104,868**

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

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

During the period under review, revenue generated from the sales of petro-chemical products conducted by Shanghai Phoenitron and its subsidiary amounted to HK$1,926.1 million, representing an increase of about HK$408.3 million, or 26.9%, as compared to the corresponding period in 2015 of HK$1,517.8 million. The increase was primarily due to the fact that Shanghai Phoenitron was still in its early stage of business development in 2015Q1. Shanghai Renzhong, a wholly-owned subsidiary of Shanghai Phoenitron, had successfully obtained the retail license for selling oil products by late 2015 and was able to conduct initial retail transactions in 2016Q1. This move marked an important step as retail sales of oil products will better diversify product sales and may enjoy a higher profit margin than wholesale. We therefore expect 2016 segment sales to be a mixture of wholesale and retail sales, with an overall higher profit margin level than in 2015.

The contract manufacturing and sales of smart cards composed mainly of two parts, namely, the SIM cards manufacturing business and the module packaging and testing services business. During the period under review, the Group's revenue generated from the SIM cards manufacturing business amounted to HK$45.8 million, down by HK$17.8 million or 28.0% as compared to the corresponding period in 2015 of HK$63.6 million. This revenue composed primarily the revenue generated from the overseas market and the drop in revenue was mainly due to the closure of the BJ SIM card plant in early 2016 which was loss-making. Excluding the impact of discontinued operations, the overseas SIM cards manufacturing business revenue was up by 0.4% YOY.

As disclosed in the 2015 annual report and 2016 first quarterly report of the Company, the management is in the process of consolidating the resources of SIM cards manufacturing business segment by (i) closing down the loss-making BJ SIM card plant and (ii) relocating the machineries to Shenzhen to better serve the more promising global SIM card market, and because the existing plant in Shenzhen has been running at full capacity and is no longer able to meet the expected increasing orders from the overseas customers. Management is therefore relocating the existing Shenzhen plant to a larger plant in the periphery area of Shenzhen city, and consolidating the Beijing plant capacity there as well for centralized management. The new, bigger plant is currently under renovation and thereafter should undergo certain certification processes by our current and potential customers. The management expects that the whole relocating process will be completed by end of this year and during this transitional period, the closing down of the loss-making BJ SIM card plant will inevitably lead to a significant drop in the segment revenue year-on-year basis.

Revenue generated from the module packaging and testing services business amounted to HK$21.1 million, down by HK$25.0 million or 54.2% as compared to the corresponding period in 2015 of HK$46.1 million. As disclosed in the annual report 2015 of the Company, the PRC module packaging and testing service business is suffering from prolonged weak demand from the leading telecommunication market customers which led to low utilization rates in the Beijing plant since 2015Q2. As further disclosed in the first quarterly report 2016, to cope with this adverse situation, we have expanded our customer base to serve more international customers since mid of last year, and having undergone the necessary qualification process with certain new customers, whose corresponding orders have started since early 2016. However, the revenue generated from these overseas new orders cannot sufficiently compensate for the loss of orders from the PRC market. In light of this, the management shall take necessary actions to safeguard the shareholders' value as and when appropriate.

Revenue generated from the provision of management and financial consultancy services amounted to HK$2.9 million during the period under review (nine months ended 30 September 2015: HK$4.4 million). No income in respect of this segment will be further accrued starting from 2016Q3.

Cost of Sales and Gross Profit

During the period under review, cost of sales increased by HK$371.8 million, or 23.1%, from HK$1,612.2 million for the corresponding period of 2015, to HK$1,984.0 million. The increase in cost of sales was largely attributable to the increase in cost of sales of HK$409.0 million in relation to the increased sales of petro-chemical products but partially offset by the drop of cost of sales of HK$37.2 million for smartcard business.

As a result, gross profit decreased by HK$7.7 million or 39.1%, from the corresponding period in last year of HK$19.7 million, to HK$12.0 million.

Other Income

Other revenue of HK$18.7 million (nine months ended 30 September 2015: HK$31.1 million) was mainly comprised of interest income arising from the amount due from a joint venture. As the interest rate charged to HARC is four times the prevailing bank lending rate in the PRC, interest income dropped since the bank lending rate for the six months ended 30 June 2016 was dropped on year-on-year basis and that the Company has ceased to accrue interest income chargeable to Hota Group since 2016Q3 as the whole amount due by Hota Group has been fully impaired.

Other Gains/(Losses), net

During the period under review, other gains amounted to HK$0.9 million (nine months ended 30 September 2015: losses of HK$1.6 million) which was represented primarily by a gain on disposal of certain fixed assets in relation to the BJ SIM card plant of about HK$2.2 million, and partially offset by the exchange losses arising from foreign currency-based transactions.

Selling and Distribution Costs

Selling and distribution costs increased by 5.4% over the corresponding period in 2015 to HK$5.9 million (nine months ended 30 September 2015: HK$5.6 million), and was mainly attributable to the increases in the transportation costs in relation to the increased sales of petro-chemical products and the overseas SIM card segment of about HK$0.7 million and HK$0.5 million respectively but partially offset by the drop in various selling expenses due to the closing down of the BJ SIM card plant since early 2016.

Administrative Expenses

No material variances in administrative expenses for the period under review as compared to the corresponding period in last year, which amounted to about HK$24.8 million. It was attributable to the combined effects of (i) an increase in professional fees, (ii) the incurrence of various costs in relation to our sales of petro-chemical products segment; (iii) the increase of miscellaneous expenses in relation to the overseas SIM card segment, but the above increases were entirely offset by the drop in various administrative expenses in relation to the PRC SIM card segment due to the closing down of the BJ SIM card plant since early 2016.

Impairment Loss on Available-For-Sale Financial Assets

This amount represented a removal from equity (specifically, the available-for-sale financial assets revaluation reserve) and recognised in profit or loss and which should be accounted for when there is a prolonged decline in the fair value of the Group's investment in the Series A preferred shares of Hota (USA) that was formerly recognised as an available-for-sale financial assets.

Impairment Loss on Amount due from a Joint Venture

The Central Government of the People's Republic of China (the "PRC") has recently promulgated a Consultation Paper (the "Consultation Paper") on the Proposed Amendments of the Order of the State Council of the PRC (Docket No. 307) – Measures on Administration of Recycling of Scrapped Vehicles. Pursuant to the Consultation Paper, it is proposed that certain requirements of carrying on a recycling of end-of-life vehicle ("ELV") business will be substantially relaxed or abolished (e.g. the level of registered capital, the size of the dismantling site, the number of staff and specialist in the site and the annual capacity of dismantling ELVs). In this regard, the Board views that the lowering of the entry barrier reduces the value of Hota's previously "limited issue" operating permit, and will inevitably attract more small-scale competitors to take part in the industry and the competition will intensify. Worse still, since HARC has positioned itself as a large-scaled recycling site with prior substantial investments in land, building & machineries, its average per unit cost of production, had HARC resumed operation, would be much higher than recently established small-scaled counterparts (this would be the case when its production is still in a low level until it actually ramping up to a certain level). Furthermore, it is proposed in the Consultation Paper that certain environmental protection policies should be tighten and that there will be a change in the government department in regulating and monitoring the industry, which all add further uncertainty in the industry. The business environment as a whole, when taking into account the facts stated the section headed "Changes in Circumstances during the nine months ended 30 September 2016 that attributing to the Impairment Loss on Amount due from a Joint Venture in view of the audit qualifications in respect of the amount due from a joint venture and of the impairment loss for the annual results of 2014 and 2015" below, will make it more difficult, if not impossible, for Hota Auto Recycling Corp. ("HARC") to resume operations profitably in Zhangjiagang and to repay the outstanding debts due to the Company. In light of the above, the Board opined that the whole amount due from Hota Group, which is about HK$222.0 million, should be fully impaired.

Notwithstanding of the above, the Board and the management will continue to pursue all possible options, and places the highest priority on resolving Hota investment as soon as possible and to the best possible advantage of all shareholders.

Finance Costs

During the period under review, the Group's finance costs amounted to HK$0.5 million (nine months ended 30 September 2015: HK$1.3 million). The drop was due largely to the drop in average borrowings during the period under review.

Income Tax Expense

During the period under review, the income tax expense of the Group amounted to HK$1.0 million (nine months ended 30 September 2015: HK$3.3 million).

As a result of the foregoing, loss for the nine months ended 30 September 2016 amounted to HK$234.4 million, representing a drop of about HK$248.6 million as compared to the profit about HK$14.2 million for the corresponding period in 2015.

CHANGES IN CIRCUMSTANCES DURING THE NINE MONTHS ENDED 30 SEPTEMBER 2016 THAT ATTRIBUTING TO THE IMPAIRMENT LOSS ON AMOUNT DUE FROM A JOINT VENTURE IN VIEW OF THE AUDIT QUALIFICATIONS IN RESPECT OF THE AMOUNT DUE FROM A JOINT VENTURE AND OF THE IMPAIRMENT LOSS FOR THE ANNUAL RESULTS OF 2014 AND 2015

In view of the audit qualifications for the annual results of 2014 and 2015 regarding the Company's assessments in making any impairment loss on the amount due from the Hota Group, the following changes or developments in circumstances have occurred that are attributing to the Impairment Loss as compared with that of the 2014 and 2015 annual results:

(a) Conclude negotiations with potential investors on cooperation in respect of HARC

The Company disclosed in its previous announcements/financial reports that we had been negotiating with certain enterprises/institutional investors (whether engaging in the recycling of ELV business or not) for the possible co-operations of developing the ELV recycling business or for proposal of re-vitalizing HARC's assets or for the possible disposal of HARC. Notwithstanding the Group's effort in the past 2 years, up to the date of this report, no legally-binding agreement has been signed to conclude the deal.

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

After due consideration by the Board, it is decided that the Company should focus on the development of the Group's other businesses that are believed to be more promising and bring value to the shareholders of the Company (i.e. the sales of petro-chemical products/LNG business and overseas SIM cards business).

(c) Withdrawal of representation regarding the financial support from a substantial shareholder of Company

In the Company's previous financial reports, it is disclosed that the Company has obtained the verbal representation (the "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 for resuming HARC's business. Recently, the board was informed by this substantial shareholder of the Company that the Representation was withdrawn based on the view that the industry outlook is unclear.

(d) Other macro-economic factors

During 2016, the PRC's economic growth seems to be slowed down further and the bank credit was apparently tightened. In addition, the demand for and market price of scrap metals remains at low levels. All these factors make it risky for the Company to resume HARC's business on its own.

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 and other borrowings. As at 30 September 2016, the Group had cash and bank balances of HK$6.7 million (31 December 2015: HK$20.2 million) and secured bank loans and other borrowings of HK$17.2 million (31 December 2015: HK$30.4 million).

As at 30 September 2016, the Group had current assets of HK$598.3 million (31 December 2015: HK$367.6 million) and current liabilities of HK$528.7 million (31 December 2015: HK$83.3 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 1.1 (31 December 2015: 4.4).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 2.8% as at 30 September 2016 (31 December 2015: 7.5%).

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

As at 30 September 2016, 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 *(Note 1)*	Beneficial owner	Long	1,000,000	5,000,000	0.16
Chang Wei Wen	Beneficial owner	Long	5,250,000	–	0.14
Wang Jia Hua	Beneficial owner	Long	5,000,000	–	0.13
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 September 2016, 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 2016, 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 the Company or 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	519,275,125	13.80
Best Heaven Limited *(Note 1)*	Beneficial	Long	315,865,000	8.39
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	835,140,125	22.19

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 2016, 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 the Company or 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 2016	Granted/ Exercised/ Cancelled/ Lapsed during the period	At 30 September 2016	Date of grant	Exercisable period	Exercise price
						HK$
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 2016, the remaining life of the New Share Option Scheme was about 2.2 years.

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 2016 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 nine months ended 30 September 2016, the Group compiled 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 separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO 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 CEO, 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 CEO on 23 March 2009. The reasons for not splitting the roles of chairman and CEO are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and CEO; 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 2016.

COMPETING INTERESTS

As at 30 September 2016, 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 2016, the Company repurchased and cancelled a total of 1,270,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$180,035.

Particulars of the repurchases are as follows:

Date of repurchase	No. of Shares	Price per share		Aggregate Price
		Highest	Lowest	
		HK$	*HK$*	*HK$*
April	1,270,000	0.155	0.139	180,035
Total	1,270,000			180,035

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 2016.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 8 November 2016