



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given the companies listed on GEM are generally small and mid-sized companies, 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 “Director(s)”) 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 approximately HK\$24,511,000 for the six months ended 30 June 2018, representing a decrease of 90.7% as compared with that of the corresponding period in 2017.
- The unaudited loss attributable to the owners of the Company for the six months ended 30 June 2018 was approximately HK\$14,824,000.
- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2018.

UNAUDITED INTERIM 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 six months ended 30 June 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2018	2017	2018	2017
	Notes	HK\$	HK\$	HK\$	HK\$
Revenue	2	13,387,425	66,986,018	24,510,696	263,720,554
Cost of sales		(11,261,972)	(61,927,514)	(20,626,334)	(254,091,183)
Gross profit		2,125,453	5,058,504	3,884,362	9,629,371
Other income	3	142,835	49,309	181,989	101,104
Other losses, net	4	(647,081)	(341,595)	(736,706)	(274,689)
Selling and distribution costs		(1,002,875)	(1,164,816)	(1,866,559)	(2,113,439)
Administrative expenses		(6,674,164)	(6,442,875)	(15,719,899)	(12,190,113)
Finance costs	5	(301,742)	(411,906)	(547,526)	(473,748)
Loss before income tax	6	(6,357,574)	(3,253,379)	(14,804,339)	(5,321,514)
Income tax (expense)/credit	7	(109,953)	26,226	(109,953)	(348,639)
Loss for the period		(6,467,527)	(3,227,153)	(14,914,292)	(5,670,153)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other comprehensive (loss)/income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange (loss)/gain on translation of financial statements of foreign operations	<u>(4,055,754)</u>	<u>1,705,876</u>	<u>(368,865)</u>	<u>2,913,393</u>
Other comprehensive (loss)/income for the period	<u>(4,055,754)</u>	<u>1,705,876</u>	<u>(368,865)</u>	<u>2,913,393</u>
Total comprehensive loss for the period	<u>(10,523,281)</u>	<u>(1,521,277)</u>	<u>(15,283,157)</u>	<u>(2,756,760)</u>
(Loss)/Profit for the period attributable to:				
Owners of the Company	<u>(6,437,025)</u>	<u>(3,273,812)</u>	<u>(14,823,947)</u>	<u>(5,706,684)</u>
Non-controlling interests	<u>(30,502)</u>	<u>46,659</u>	<u>(90,345)</u>	<u>36,531</u>
	<u>(6,467,527)</u>	<u>(3,227,153)</u>	<u>(14,914,292)</u>	<u>(5,670,153)</u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	<u>(9,117,786)</u>	<u>(1,880,992)</u>	<u>(14,834,164)</u>	<u>(3,375,251)</u>
Non-controlling interests	<u>(1,405,495)</u>	<u>359,715</u>	<u>(448,993)</u>	<u>618,491</u>
	<u>(10,523,281)</u>	<u>(1,521,277)</u>	<u>(15,283,157)</u>	<u>(2,756,760)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share				
– Basic	<u>(1.273)</u>	<u>(0.823)</u>	<u>(3.097)</u>	<u>(1.474)</u>
– Diluted	<u>(1.252)</u>	<u>(0.823)</u>	<u>(3.088)</u>	<u>(1.474)</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	8,058,794	9,804,732
Intangible assets		<u>420,000</u>	<u>420,000</u>
		<u>8,478,794</u>	<u>10,224,732</u>
Current assets			
Inventories	11	1,177,989	1,551,977
Trade and other receivables	12	134,081,291	230,048,287
Tax recoverable		840,991	965,896
Pledged bank deposit		100,568	2,212,324
Cash and cash equivalents		<u>2,913,600</u>	<u>2,283,931</u>
		<u>139,114,439</u>	<u>237,062,415</u>
Current liabilities			
Trade and other payables	13	41,629,506	139,947,030
Borrowings		<u>9,515,801</u>	<u>13,923,034</u>
		<u>51,145,307</u>	<u>153,870,064</u>
Net current assets		<u>87,969,132</u>	<u>83,192,351</u>
Total assets less current liabilities		<u>96,447,926</u>	<u>93,417,083</u>
Non-current liabilities			
Deferred tax liabilities		<u>4,707</u>	<u>4,707</u>
Net assets		<u>96,443,219</u>	<u>93,412,376</u>
EQUITY			
Share capital	14	105,258,500	90,258,500
Reserves		<u>(34,036,439)</u>	<u>(22,516,275)</u>
Equity attributable to the owners of the Company		<u>71,222,061</u>	<u>67,742,225</u>
Non-controlling interests		<u>25,221,158</u>	<u>25,670,151</u>
Total equity		<u>96,443,219</u>	<u>93,412,376</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Accumulated losses*	Total	Non- controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2017	75,258,500	363,367,716	13,985,669	1,360,008	7	2,150,237	(389,559,509)	66,562,628	24,046,373	90,609,001
Issue of shares upon share subscription	15,000,000	-	-	-	-	-	-	15,000,000	-	15,000,000
Share issue expenses	-	(25,000)	-	-	-	-	-	(25,000)	-	(25,000)
Transactions with owners	<u>15,000,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,975,000</u>	<u>-</u>	<u>14,975,000</u>
(Loss)/Profit for the period	-	-	-	-	-	-	(5,706,684)	(5,706,684)	36,531	(5,670,153)
Other comprehensive income										
– Translation of foreign operations	-	-	-	-	-	2,331,433	-	2,331,433	581,960	2,913,393
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,331,433</u>	<u>(5,706,684)</u>	<u>(3,375,251)</u>	<u>618,491</u>	<u>(2,756,760)</u>
At 30 June 2017	<u>90,258,500</u>	<u>363,342,716</u>	<u>13,985,669</u>	<u>1,360,008</u>	<u>7</u>	<u>4,481,670</u>	<u>(395,266,193)</u>	<u>78,162,377</u>	<u>24,664,864</u>	<u>102,827,241</u>
At 1 January 2018	90,258,500	363,342,716	13,985,669	1,360,008	7	8,125,040	(409,329,715)	67,742,225	25,670,151	93,412,376
Issue of shares upon share subscription	15,000,000	-	-	-	-	-	-	15,000,000	-	15,000,000
Share issue expenses	-	(25,000)	-	-	-	-	-	(25,000)	-	(25,000)
Transactions with owners	<u>15,000,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,975,000</u>	<u>-</u>	<u>14,975,000</u>
Loss for the period	-	-	-	-	-	-	(14,823,947)	(14,823,947)	(90,345)	(14,914,292)
Other comprehensive loss										
– Translation of foreign operations	-	-	-	-	-	(10,217)	-	(10,217)	(358,648)	(368,865)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,217)</u>	<u>(14,823,947)</u>	<u>(14,834,164)</u>	<u>(448,993)</u>	<u>(15,283,157)</u>
Share-based payments	-	-	-	3,339,000	-	-	-	3,339,000	-	3,339,000
At 30 June 2018	<u>105,258,500</u>	<u>363,317,716</u>	<u>13,985,669</u>	<u>4,699,008</u>	<u>7</u>	<u>8,114,823</u>	<u>(424,153,662)</u>	<u>71,222,061</u>	<u>25,221,158</u>	<u>96,443,219</u>

* The total of these accounts as at the reporting date represents “Reserves” of HK\$34,036,439 (30 June 2017: HK\$12,096,123) in deficit in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	(12,033,016)	(8,441,700)
Net cash from/(used in) investing activities	2,113,232	(4,227,153)
Net cash from financing activities	10,557,888	12,999,048
Net increase in cash and cash equivalents	638,104	330,195
Cash and cash equivalents at beginning of the period	2,283,931	4,199,398
Effect of foreign exchange rate changes	(8,435)	94,238
Cash and cash equivalents at end of the period	<u>2,913,600</u>	<u>4,623,831</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2018 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 include 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 2017.

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 2018, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2017, 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 2017.

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 business components in the internal reporting to the executive Directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The Group is currently organized into the following five operating segments:

- (i) Sales of smart cards;
- (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 before income tax is the same as those used in preparing these financial statements under HKFRSs except that finance costs, net exchange losses, 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, tax recoverable, 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 deferred 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.

Six months ended 30 June 2018

	Unaudited						Consolidated HK\$
	Sales of smart cards HK\$	Sales of smart card application systems HK\$	Financial and management consultancy services HK\$	Trading of scrap metals HK\$	Sales of petro-chemical products HK\$	Unallocated HK\$	
Reportable segment revenue	<u>24,494,676</u>	<u>16,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,510,696</u>
Reportable segment loss	<u>(5,151,600)</u>	<u>(6,193)</u>	<u>(168,379)</u>	<u>(1,736,349)</u>	<u>(366,791)</u>	<u>-</u>	<u>(7,429,312)</u>
Finance costs							(547,526)
Exchange losses, net							(736,706)
Corporate expenses, net							<u>(6,090,795)</u>
Loss before income tax							<u>(14,804,339)</u>

Six months ended 30 June 2017

	Unaudited						Consolidated HK\$
	Sales of smart cards HK\$	Sales of smart card application systems HK\$	Financial and management consultancy services HK\$	Trading of scrap metals HK\$	Sales of petro-chemical products HK\$	Unallocated HK\$	
Reportable segment revenue	<u>24,717,457</u>	<u>28,150</u>	<u>-</u>	<u>-</u>	<u>238,974,947</u>	<u>-</u>	<u>263,720,554</u>
Reportable segment (loss)/profit	<u>(96,138)</u>	<u>(6,023)</u>	<u>(173,863)</u>	<u>(1,401,778)</u>	<u>155,799</u>	<u>(14,083)</u>	<u>(1,536,086)</u>
Finance costs							(473,748)
Exchange losses, net							(499,439)
Corporate expenses, net							<u>(2,812,241)</u>
Loss before income tax							<u>(5,321,514)</u>

30 June 2018

Unaudited							
	Sales of smart card application systems <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>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment assets	35,956,651	49,810	-	2,200,026	100,495,983	4,615,604	143,318,074
Intangible assets							420,000
Tax recoverable							840,991
Pledged bank deposits							100,568
Cash and cash equivalents							2,913,600
Total consolidated assets							147,593,233
Reportable segment liabilities	36,574,829	17,300	-	147,042	2,168,531	2,721,804	41,629,506
Borrowings							9,515,801
Deferred tax liabilities							4,707
Total consolidated liabilities							51,150,014

31 December 2017

Audited							
	Sales of smart card application systems <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>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment assets	31,643,960	33,790	-	3,048,621	203,292,558	3,386,067	241,404,996
Intangible assets							420,000
Tax recoverable							965,896
Pledged bank deposits							2,212,324
Cash and cash equivalents							2,283,931
Total consolidated assets							247,287,147
Reportable segment liabilities	33,522,662	27,500	-	150,568	103,396,941	2,849,359	139,947,030
Borrowings							13,923,034
Deferred tax liabilities							4,707
Total consolidated liabilities							153,874,771

There has been no inter-segment sale between different business segments during the period or in prior period.

3. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Bank interest income	1,399	686	1,476	1,221
Sundry income	141,436	48,623	180,513	99,883
	<u>142,835</u>	<u>49,309</u>	<u>181,989</u>	<u>101,104</u>

4. OTHER (LOSSES)/GAINS, NET

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Gain on disposal of property, plant and equipment	-	-	-	224,750
Exchange losses, net	(647,081)	(341,595)	(736,706)	(499,439)
	<u>(647,081)</u>	<u>(341,595)</u>	<u>(736,706)</u>	<u>(274,689)</u>

5. FINANCE COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Interest on bank loans wholly repayable within five years	51,673	41,984	103,588	71,604
Interest charges on other borrowings	250,069	369,922	443,938	402,144
	<u>301,742</u>	<u>411,906</u>	<u>547,526</u>	<u>473,748</u>

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Cost of inventories recognised as expenses	11,261,972	61,927,514	20,626,334	254,091,183
Depreciation	834,709	925,949	1,662,794	1,931,154
	<u>11,261,972</u>	<u>61,927,514</u>	<u>20,626,334</u>	<u>254,091,183</u>

7. INCOME TAX EXPENSE/(CREDIT)

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Current tax				
– Hong Kong Profits Tax				
Current year	116,702	(29,000)	116,702	340,000
– PRC Enterprise Income Tax				
Current year	–	2,774	–	8,639
Over-provision in prior year	(6,749)	–	(6,749)	–
	<u>(6,749)</u>	<u>2,774</u>	<u>(6,749)</u>	<u>8,639</u>
Total income tax expense/(credit)	<u>109,953</u>	<u>(26,226)</u>	<u>109,953</u>	<u>348,639</u>

Notes:

(a) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period and prior period.

(b) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period and prior period based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% for the three months and six months ended 30 June 2018 (three months and six months ended 30 June 2017: 25%).

8. DIVIDEND

The board does not recommend any payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the three months and the six months ended 30 June 2018 is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$6,437,025 and HK\$14,823,947 respectively (three months and six months ended 30 June 2017: HK\$3,273,812 and HK\$5,706,684 respectively) by the weighted average number of ordinary shares of 505,688,104 and 478,640,566 shares respectively (three months and six months ended 30 June 2017: 397,721,071 and 387,065,981 shares respectively) in issue during the periods.

The share consolidation pursuant to the shareholders resolutions dated 18 January 2017 is adjusted in weighted average number of ordinary shares in issue and effect of deemed issue of share under the Company's share option scheme as if the share consolidation had occurred at 1 January 2017, the beginning of the earliest period reported. For more details, please refer to the Company's announcement, circular as well as the poll results of the EGM announcement which were published on 12 December 2016, 21 December 2016 and 18 January 2017, respectively.

(b) Diluted loss per share

Diluted loss per share for the three months and six months ended 30 June 2018 is calculated by dividing unaudited loss attributable to owners of the Company of HK\$6,437,025 and HK\$14,823,947 respectively by the weighted average of 514,115,324 and 480,120,880 ordinary shares respectively, calculated as follows:

	Three months ended 30 June 2018 HK\$	Six months ended 30 June 2018 HK\$
Weighted average number of ordinary shares used in the calculation of basic earnings per share	505,688,104	478,640,566
Effect of deemed issue of shares under the Company's share option scheme	8,427,220	1,480,314
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	514,115,324	480,120,880
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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 six months ended 30 June 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group did not acquire any items of property, plant and equipment (six months ended 30 June 2017: HK\$2,594,622).

11. INVENTORIES

	Unaudited 30 June 2018 HK\$	Audited 31 December 2017 HK\$
Raw materials	589,125	331,034
Work-in-progress	576,140	995,424
Finished goods	12,724	225,519
	<u>1,177,989</u>	<u>1,551,977</u>

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2018 HK\$	Audited 31 December 2017 HK\$
Trade receivables, net (<i>note</i>)	113,768,869	111,988,394
Other receivables, deposits and prepayments	20,312,422	118,059,893
	<u>134,081,291</u>	<u>230,048,287</u>

Note:

The credit term granted by the Group to its trade customers normally ranges from 30 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 2018 HK\$	Audited 31 December 2017 HK\$
0 – 30 days	6,807,730	104,136,456
31 – 90 days	5,552,553	6,640,809
Over 90 days	101,408,586	1,211,129
	<u>113,768,869</u>	<u>111,988,394</u>

The ageing analysis of trade receivables net of impairment provision, based on due date, is as follows:

	Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
Neither past due nor impaired	12,214,352	110,405,434
1 – 30 days past due	546,199	1,042,637
31 – 90 days past due	5,820	193,693
Over 90 days past due	101,002,498	346,630
	113,768,869	111,988,394

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.

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
Trade payables (<i>note</i>)	28,177,986	126,816,719
Other payables and accrual	13,451,520	13,130,311
	41,629,506	139,947,030

Note:

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

	Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
0 – 30 days	3,121,873	103,700,436
31 – 60 days	2,747,540	1,908,810
61 – 90 days	1,552,080	1,185,752
Over 90 days	20,756,493	20,021,721
	28,177,986	126,816,719

14. SHARE CAPITAL

	Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
Authorized:		
1,500,000,000 ordinary shares of HK\$0.20 each	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:		
526,292,500 (31 December 2017: 451,292,500) ordinary shares of HK\$0.20 each	<u>105,258,500</u>	<u>90,258,500</u>

A summary of the transactions involving the Company's issued share capital during the period is as follows:

	Par value per share <i>HK\$</i>	Number of shares	Nominal value <i>HK\$</i>
At 1 January 2018	0.20	451,292,500	90,258,500
Issue of shares upon shares subscription (note a)	<u>0.20</u>	<u>75,000,000</u>	<u>15,000,000</u>
At 30 June 2018	<u>0.20</u>	<u>526,292,500</u>	<u>105,258,500</u>

Notes:

- a) Pursuant to subscription agreements entered into between the Company and four subscribers (the "Subscribers") on 16 April 2018, 75,000,000 new ordinary shares of the Company were allotted and issued at a price of HK\$0.20 per share to the Subscribers on 26 April 2018 for a total cash consideration of HK\$15,000,000, which resulted in an increase in share capital by HK\$15,000,000 and decrease in share premium by HK\$25,000 for netting off the cost of share subscription amount.

15. CAPITAL COMMITMENT

	Unaudited 30 June 2018 <i>HK\$</i>	Audited 31 December 2017 <i>HK\$</i>
Contracted but not provided for:		
– Interest in an associate	–	2,403,846
– Acquisition of property, plant and equipment	<u>1,041,746</u>	<u>1,041,746</u>
	<u>1,041,746</u>	<u>3,445,592</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards, though management is also actively discussing and exploring new area of business development for further growth (initial due diligence review for a new business area is underway and further announcements will be made as and when appropriate).

Sales of petro-chemical products

Having taken into account the volatile of cruel oil price and the risk in the past, no sales of petro-chemical products was conducted by Shanghai Phoenitron and its subsidiary during the Reporting Period, which led to a substantial drop in revenue year-on-year basis (six months ended 30 June 2017: HK\$239.0 million). Despite of the above, as mentioned in the Chairman's Statement section of the annual report 2017 of the Company, our initial focus in this business segment was to develop clean energy business (i.e. LNG/CNG) instead of sales of petro-chemical products and the relevant licenses have been obtained in the Reporting Period. The management is currently in negotiation with a sizeable PRC company for possible co-operations and continues to look for the best strategy forward in this segment.

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$24.5 million, dropped slightly by approximately HK\$0.2 million or 0.9% as compared to the corresponding period in 2017 of approximately HK\$24.7 million. The drop is mainly due to the depreciation of Renminbi against Hong Kong Dollars. The management expects that revenue for this business segment shall ramp up in the second half since new customers shall begin to place orders after their trial orders has been completed and passed in late June. In the first half of this year, the capacity utilization of our Shenzhen facilities was only 50% or less, leading to the disappointing first half results, but the utilization has since increased to over 90% by August.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the Group's COS comprised of the COS from the contract manufacturing and sales of smart cards business segment only.

Sales of petro-chemical products

During the Reporting Period, no COS in relation to the sales of petro-chemical products was recorded (six months ended 30 June 2017: HK\$238.2 million).

Contract manufacturing and sales of smart cards

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$20.6 million, rose by approximately HK\$4.7 million or 29.6% as compared to the corresponding period in 2017 of approximately HK\$15.9 million.

Due to the above-mentioned, gross profit of the Group dropped by approximately HK\$5.7 million or 59.7%, from the corresponding period in 2017 of approximately HK\$9.6 million, to approximately HK\$3.9 million.

Other Income

Other income of approximately HK\$0.18 million (six months ended 30 June 2017: approximately HK\$0.10 million) was mainly comprised of sundry income.

Other losses, net

During the Reporting Period, other losses, which represented by the exchange losses, amounted to approximately HK\$0.74 million (six months ended 30 June 2017: approximately HK\$0.27 million which comprised of a gain on disposal of certain fixed assets in relation to the Shenzhen SIM card plant of approximately HK\$0.23 million but partially offset by the exchange losses arising from foreign currency-based transactions of approximately HK\$0.50 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$1.87 million, representing a drop of approximately HK\$0.24 million, or 11.7%, as compared to the corresponding period in 2017 of approximately HK\$2.11 million. The decrease was mainly due to the fact that certain expenses (for examples, salary payment and freight charges) for the PRC SIM card plant no longer occur upon its closure and that there was also a decrease in travelling expenses of the Group during the Reporting Period, but such decreases were partially offset by the increase in freight charges due to the increase in revenue derived from the single largest customer of overseas SIM card market and the freight charges incurred in relation to this customer is higher.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK\$3.5 million, or 29.0% during the Reporting Period, from approximately HK\$12.2 million for the corresponding period in 2017, to approximately HK\$15.7 million. The increase was primarily attributable to the share-based payments expense with a fair value of approximately HK\$3.34 million was recognised to accounts for the share options granted to the Directors and certain employees of the Group during the Reporting Period.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.55 million (six months ended 30 June 2017: approximately HK\$0.47 million). The increase was due to the interest rates charged on such borrowings were higher.

Income Tax Expense

Income tax expense of the Group of approximately HK\$0.11 million was provided for during the Reporting Period (six months ended 30 June 2017: approximately HK\$0.35 million).

As a result of the foregoing, loss attributable to owners of the Company during the Reporting Period amounted to approximately HK\$14.8 million (six months ended 30 June 2017: approximately HK\$5.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, proceeds from subscription of new shares, bank loans and other borrowings. As at 30 June 2018, the Group had cash and bank balances and pledged bank deposits of approximately HK\$3.0 million (31 December 2017: approximately HK\$4.5 million), secured bank loans and other borrowings of approximately HK\$9.5 million (31 December 2017: approximately HK\$13.9 million).

As at 30 June 2018, the Group had current assets of approximately HK\$139.1 million (31 December 2017: approximately HK\$237.1 million) and current liabilities of approximately HK\$51.1 million (31 December 2017: approximately HK\$153.9 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 2.7 (31 December 2017: 1.5).

EMPLOYEE INFORMATION

As at 30 June 2018, the Group employed a total of 159 employees (31 December 2017: 164 employees), of which 15 were located in Hong Kong and 7 were located in Taiwan and the rest were located in the PRC. Employee cost, including Directors' remuneration, was approximately HK\$14.6 million (six months ended 30 June 2017: approximately HK\$11.7 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 2018.

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 2018.

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 2018.

CHARGE ON GROUP ASSETS

At 30 June 2018, bank deposit of approximately HK\$0.1 million was pledged by a Company’s subsidiary as collateral to secure general banking facilities granted to the Group (31 December 2017: approximately HK\$2.2 million).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 6.4% as at 30 June 2018 (31 December 2017: 5.6%).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

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”), 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 2018, 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
Executive Director					
Lily Wu (<i>Note 1</i>)	Beneficial owner	Long	100,000	5,000,000	0.97
Chang Wei Wen (<i>Note 2</i>)	Beneficial owner	Long	525,000	4,500,000	0.95
Yang Meng Hsiu (<i>Note 2</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.67
Independent Non-executive Director					
Chan Siu Wing, Raymond (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09

Notes:

1. These include 5,000,000 share options conferring rights to subscribe for 5,000,000 shares.
2. These include 4,500,000 share options conferring rights to subscribe for 4,500,000 shares.
3. These include 450,000 share options conferring rights to subscribe for 450,000 shares.

Save as disclosed above, as at 30 June 2018, 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 2018, 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	51,927,512	9.87
Best Heaven Limited (Note 1)	Beneficial	Long	31,586,500	6.00
Mr. Tsai Chi Yuan (Note 1)	Interests in controlled company	Long	83,514,012	15.87

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 2018, 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 granted to the Directors under the New Share Option Scheme during the period were as follows:

Name of participant	Notes	At 1 January 2018	Granted during the period	At 30 June 2018	Date of grant	Exercisable period	Exercise price HK\$
Executive Director							
Lily Wu	1	500,000	–	500,000	17 November 2008	17 November 2008 to 16 November 2018	1.86
	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20

Name of participant	Notes	At 1 January 2018	Granted during the period	At 30 June 2018	Date of grant	Exercisable period	Exercise price HK\$
Independent Non-executive Director							
Chan Siu Wing, Raymond	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20

Notes:

1. As at 30 June 2018, the remaining life was about 0.45 year.
2. As at 30 June 2018, the remaining life was about 9.75 year

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 and risk management systems 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 2018 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 six months ended 30 June 2018, 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 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 the current structure of vesting the roles of chairman and CEO in the same person 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 2018.

COMPETING INTERESTS

As at 30 June 2018, 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 2018.

For and on behalf of the Board

Lily Wu
Chairman

Hong Kong, 9 August 2018