PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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This announcement, for which the directors (the "Directors") 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 announcement 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 announcement misleading.

HIGHLIGHTS

- Revenue for the year ended 31 December 2014 amounted to HK$461,934,000, representing an increase of 243.8% as compared to the corresponding period in 2013 of HK$134,350,000.
- The Group recorded an audited loss attributable to the owners of the Company of HK$133,817,000 for the year ended 31 December 2014.
- The Board does not recommend any payment of a final dividend for the year ended 31 December 2014 (2013: nil).

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2014.

Results

For the year ended 31 December 2014, the Company recorded a consolidated revenue of HK$461,934,000 (2013: HK$134,350,000) and loss attributable to the owners of the Company of HK$133,817,000 (2013: HK$141,014,000).

Dividend

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the year ended 31 December 2014.

Business and Operation Review

During the year under review, the Group is principally engaged in the manufacturing and sales of smart cards and plastic cards, the provision of management and financial consultancy services and the setting up of natural gas stations in Yangtze River Delta and other petrochemical related businesses. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of Phoenitron and enhance our shareholder value.

Manufacturing and sales of smart cards and plastic cards

The Group's traditional smartcard business showed recovery in 2014 with higher revenue, higher profit margin, and increased capacity utilization. A number of factors led to this result despite the overall smartcard industry remaining under intense competitive pressure with on-going materials and labor cost pressures: the company is diversifying its customer application mix to include payment cards, membership cards, identity cards, and security cards, and also diversifying its smart card manufacturing services to include dual-interface cards, re-writeable cards and contactless cards. The smartcard IC module packaging and testing service business which started production in 2013 has also been a market advantage providing a turnkey manufacturing service to our customers, and achieved full production capacity utilization by the last quarter of 2014. The Board is hopeful that the smartcard team can continue developing new market and service diversification opportunities to drive better results in 2015.

Management and financial consultancy services

The target clients of the management and financial consultancy services include companies that the Group is currently invested in or may invest in the future. The scope of services includes the provision of corporate organization management, financial and financing planning and implementation, and other services. For the year ending 31 December 2014, the Group recorded a revenue of approximately HK$5,907,000.

Setting up natural gas stations in the Yangtze River Delta region and other petrochemical related businesses

In early 2014, the Company had entered into the non-legally binding Letter of Intent with Shanghai Dong Fu Petroleum Chemical Sales Co., Ltd. in relation to the possible formation of a joint venture (the "Possible Formation of JV") in Shanghai, PRC for the purpose of setting up and operating natural gas stations in Yangtze River Delta and other petroleum chemical related businesses (the "Project"). The completion of the formation of JV took place on August 2014 and this new JV, namely, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron") commenced business in the latter half of September 2014 and recorded an initial petro-chemical products revenue of HK$260.4 million during the year under review, which establishes Shanghai Phoenitron's channels and customer base. When the gas stations commence operations later in 2015, the retail sales portion of the petrochemical business will likely increase, which should result in an improving profit margin for Shanghai Phoenitron.

The Directors believe that Shanghai Phoenitron is an important step for the Group's business development in the energy sector in the PRC. The Directors also believe that the consummation of the Project will provide additional income to the Group so as to improve our shareholder return. Further, in view of the increase in environmental awareness and strong demand of natural gas domestically, the Directors considered that the implementation of the Project is in the line with the business direction of the Group. The preliminary plan of the Company is that the JV Company shall use its best endeavours to establish 10 natural gas refueling stations during the first year after formation and approximately 70 natural gas refueling stations (in any event not less than 50 natural gas refueling stations) shall be established within three years after the formation of the JV Company. During the year under review, the Company has entered into the legally-binding Cooperation Agreement with 江蘇華港燃氣有限公司 (Jiangsu Huagang Gas Company Limited) as regards their first-time cooperation for the running of a LNG gas station by Shanghai Phoenitron in Shanghai, the PRC. On 12 December 2014, Shanghai Phoenitron and Jiangsu Huagang further entered into a supplemental agreement, pursuant to which the parties thereto agreed to extend the areas of cooperation to further include Pudong New Area, Shanghai, the PRC and Jiangsu Province, the PRC. In this regard, three LNG stations will be built in these areas. It is believed that certain LNG stations will be built and started to commence business by mid 2015.

Investment in a joint venture

During the period under review, the Group did not recognize any further losses of Hota, a joint venture, as the Group's share of losses of Hota has exceeded the interest in the joint venture (2013: nil).

Financing Overview

During the year under review, the Company had entered into separate subscription agreements with each of Mr. Lau Yu, Ms. Kiu Sau Hung, Ms. Jiang Xia, Kantor Holdings Limited, Clear Win Investments Limited, Chaphil Investments Limited and Mr. Yiu Wing Hei (together, the "Subscribers") in relation to the subscription of a total of 247,000,000 new shares of the Company. Completion of the subscription of new shares took place on 18 September 2014. The net proceeds of approximately HK$53.58 million has been applied (as intended) for (i) general working capital of the Group including the carrying out of the project involving the setting up of natural gas stations in Yangtze River Delta and other petrochemical related business and (ii) early redemption of all or part of the outstanding Convertible Bonds and repayment of certain loans.

PROSPECTS

Looking forward, we expect 2015 will continue to be challenging yet also a year of positive transition. The Board will continue to place great emphasis on developing its LNG projects and its related petro-chemical business. The Company is also exploring more co-operation opportunities with potential strategic alliances in all business segments including metals recycling and smartcard systems. We will continue to expand our existing traditional SIM card businesses, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to fully leverage competitive strengths. The IC module packaging and testing service business is now in full production, and is expected to contribute stable revenue and profits to the Group for the year of 2015. The Board will also consider to expand its production capacity by acquiring additional machines to meet its increasing customers' orders.

As disclosed in the announcements of the Company dated 24 November 2014 and 3 February 2015, the Company is currently in negotiation with certain potential strategic alliances as regards possible cooperation(s) of developing the scrapped car (ELV) recycling business and its related matters. The Board believes further developments in this business can be achieved in 2015.

We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring about stable revenues and profits for our shareholders.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2014. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 26 March 2015

The board of Directors (the "Board") announces the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014 together with the comparative figures for the year 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	2014 HK$	2013 HK$
Revenue	4	**461,934,044**	134,350,091
Cost of sales		**(434,987,175)**	(127,912,184)
Gross profit		**26,946,869**	6,437,907
Other income	5	**53,333,670**	31,870,797
Fair value loss on a financial derivative	12(a)	**(46,257,586)**	(75,216,414)
Other losses, net	6	**(555,079)**	(1,111,305)
Selling and distribution costs		**(7,434,512)**	(6,923,371)
Administrative expenses		**(32,598,391)**	(30,790,826)
Impairment loss on amount due from a joint venture		**(92,331,903)**	(60,535,365)
Impairment loss on other receivables and prepayments		**(27,758,100)**	–
Finance costs	7	**(5,924,609)**	(2,961,596)
Share of (losses)/profits of an associate		**(468,476)**	130,223
Loss before income tax	8	**(133,048,117)**	(139,099,950)
Income tax expense	9	**(593,946)**	(1,913,869)
Loss for the year		**(133,642,063)**	(141,013,819)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets		**(11,831,210)**	1,496,067
Exchange (loss)/gain on translation of financial statements of foreign operations		**(613,087)**	2,181,982
Other comprehensive income for the year		**(12,444,297)**	3,678,049
Total comprehensive income for the year		**(146,086,360)**	(137,335,770)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2014

	Notes	**2014** **HK$**	2013 *HK$*
Loss for the year attributable to:			
Owners of the Company		**(133,816,554)**	(141,013,819)
Non-controlling interests		**174,491**	–
		(133,642,063)	(141,013,819)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(146,224,871)**	(137,335,770)
Non-controlling interests		**138,511**	–
		(146,086,360)	(137,335,770)
		HK Cents	*HK Cents*
Loss per share for loss attributable to the owners of the Company	*11*		
– Basic and diluted		**(4.144)**	(4.480)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 HK$	2013 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**47,263,213**	60,361,649
Intangible assets		**420,000**	420,000
Prepayments for acquisition of property, plant and equipment		**4,037,701**	1,549,900
Interest in an associate		**527,805**	996,282
Long-term financial assets	*12*	**2,158,058**	60,246,854
		54,406,777	123,574,685
Current assets			
Inventories		**14,351,860**	10,760,260
Trade and other receivables	*13*	**100,810,795**	80,489,309
Amount due from a joint venture		**164,311,322**	200,030,990
Amount due from non-controlling interests		**4,293,968**	–
Pledged bank deposits		**6,820,908**	3,009,616
Cash and cash equivalents		**19,475,200**	12,087,545
		310,064,053	306,377,720
Current liabilities			
Trade and other payables	*14*	**105,941,806**	56,592,349
Borrowings		**41,887,129**	49,437,096
Current tax liabilities		**538,200**	779,764
		148,367,135	106,809,209
Net current assets		**161,696,918**	199,568,511
Total assets less current liabilities		**216,103,695**	323,143,196
Non-current liabilities			
Convertible bonds		**–**	14,622,664
Deferred tax liabilities		**4,707**	4,707
		4,707	14,627,371
Net assets		**216,098,988**	308,515,825
EQUITY			
Share capital		**68,049,500**	63,236,700
Reserves		**144,256,244**	245,279,125
Equity attributable to the owners of the Company		**212,305,744**	308,515,825
Non-controlling interests		**3,793,244**	–
Total equity		**216,098,988**	308,515,825

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital HK$	Share Subscription received HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Available-for-sale financial assets revaluation reserve* HK$	Warrant reserve* HK$	Retained profits/ (loss)* HK$	Total Reserve HK$	Non-controlling interests HK$	Total HK$
At 1 January 2013	60,886,700	30,000,000	214,470,073	1,360,008	7	15,204,944	(1,404,299)	3,411,187	113,080,885	376,122,805	–	437,009,505
2012 final dividend approved	–	–	(6,323,670)	–	–	–	–	–	–	(6,323,670)	–	(6,323,670)
Expenses incurred in relation to issue of convertible bonds	–	–	–	–	(57,563)	–	–	–	–	(57,563)	–	(57,563)
Recognition of equity component of convertible bonds	–	–	–	–	3,612,087	–	–	–	–	3,612,087	–	3,612,087
Shares repurchase	–	–	(616,964)	–	(71,800)	–	–	–	–	(688,764)	–	(688,764)
Issue of shares upon exercise of unlisted warrants	2,350,000	(30,000,000)	42,240,369	–	–	–	–	(2,290,369)	–	9,950,000	–	12,300,000
Transactions with owners	2,350,000	(30,000,000)	35,299,735	–	3,482,724	–	–	(2,290,369)	–	6,492,090	–	8,842,090
Loss for the year	–	–	–	–	–	–	–	–	(141,013,819)	(141,013,819)	–	(141,013,819)
Other comprehensive income												
– Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	1,496,067	–	–	1,496,067	–	1,496,067
– Translation of foreign operations	–	–	–	–	–	2,181,982	–	–	–	2,181,982	–	2,181,982
Total comprehensive income for the year	–	–	–	–	–	2,181,982	1,496,067	–	(141,013,819)	(137,335,770)	–	(137,335,770)
At 31 December 2013 and 1 January 2014	**63,236,700**	**–**	**249,769,808**	**1,360,008**	**3,482,731**	**17,386,926**	**91,768**	**1,120,818**	**(27,932,934)**	**245,279,125**	**–**	**308,515,825**
Lapse of unlisted warrants	–	–	1,120,818	–	–	–	–	(1,120,818)	–	–	–	–
Early redemption on convertible bonds	–	–	–	–	(3,554,524)	–	–	–	662,260	(2,892,264)	–	(2,892,264)
Repurchase of shares	(127,200)	–	(614,546)	–	71,800	–	–	–	–	(542,746)	–	(669,946)
Issue of shares upon shares subscription	4,940,000	–	48,637,000	–	–	–	–	–	–	48,637,000	–	53,577,000
Transactions with owners	4,812,800	–	49,143,272	–	(3,482,724)	–	–	(1,120,818)	662,260	45,201,990	–	50,014,790
Loss for the year	–	–	–	–	–	–	–	–	(133,816,554)	(133,816,554)	174,491	(133,642,063)
Other comprehensive income												
– Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(11,831,210)	–	–	(11,831,210)	–	(11,831,210)
– Translation of foreign operations	–	–	–	–	–	(577,107)	–	–	–	(577,107)	(35,980)	(613,087)
Total comprehensive income for the year	–	–	–	–	–	(577,107)	(11,831,210)	–	(133,816,554)	(146,224,871)	138,511	(146,086,360)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,654,733	3,654,733
At 31 December 2014	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

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have 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 (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair values.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions.

2. ADOPTION OF NEW OR REVISED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HK (IFRIC) 21	Levies

Except as explained below, the adoption of new or revised HKFRSs has no material impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The adoption of HKAS 36 does not have any material impact on the Group's financial position or performance.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

2. **ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)**

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities (Continued)

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Group is not an investment entity.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

3. **SEGMENT INFORMATION**

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. During the year, one more operating segment, sales of petro-chemical products, was identified, after the commencement of the Group's relevant operations in the People's Republic of China ("PRC"). Given that the new business is an individual operating segment that is separately reviewed by the executive directors, therefore the sales of petro-chemical products business is considered as a separate reportable segment. The segment information for the year ended 31 December 2014 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is currently organised into the following five operating segments:

- Sales of smart cards and plastic cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Trading of scrap metals; and
- Sales of petro-chemical products.

The financial and management consultancy services are provided to the joint venture of the Group which is principally engaged in resources recycling business.

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss is the same as those used in preparing these financial statements under HKFRSs except that finance costs, income tax, share of results of an associate, fair value loss on a financial derivative, impairment loss on amount due from a joint venture, impairment loss on other receivables and prepayments, corporate income and expenses and other income and expenses not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

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

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

3. **SEGMENT INFORMATION (CONTINUED)**

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, loss before income tax, total assets, total liabilities and other segment information are as follows:

2014

	Sales of smart cards and plastic cards *HK$*	Sales of smart card application systems *HK$*	Financial and management consultancy services *HK$*	Trading of scrap metals *HK$*	Sales of petro-chemcial products *HK$*	Corporate/ Unallocated *HK$*	Consolidated *HK$*
Reportable segment revenue	**194,224,272**	**39,990**	**5,907,042**	**1,340,214**	**260,422,526**	**–**	**461,934,044**
Reportable segment profit/(loss)	**(9,644,258)**	**(7,743)**	**55,342,060**	**(4,160,583)**	**946,228**	**(26,727)**	**42,448,977**
Fair value loss on a financial derivative							(46,257,586)
Finance costs							(5,924,609)
Impairment loss on amount due from a joint venture							(92,331,903)
Impairment loss on other receivables and prepayments							(27,758,100)
Share of losses of an associate							(468,476)
Unallocated interest income							25,435
Corporate expenses, net							(2,781,855)
Loss before income tax							(133,048,117)
Reportable segment assets	**145,833,651**	**6,175**	**168,059,906**	**4,116,464**	**12,744,485**	**14,210**	**330,774,891**
Interest in an associate							527,805
Long-term financial assets							2,158,058
Intangible assets							420,000
Amount due from non-controlling interests							4,293,968
Pledged bank deposits							6,820,908
Cash and cash equivalents							19,475,200
Total consolidated assets							364,470,830
Reportable segment liabilities	**104,093,626**	**14,500**	**1,298,320**	**481,300**	**54,060**	**–**	**105,941,806**
Borrowings							41,887,129
Current tax liabilities							538,200
Deferred tax liabilities							4,707
Total consolidated liabilities							148,371,842

							Consolidated *HK$*
Other information							
Depreciation	16,510,070	–	187,627	271,780	–	–	16,969,477
Interest income	3,979	5	50,140,015	2,984	430	17,170	50,164,583
Additions to specified non-current assets	5,138,419	–	–	–	–	–	5,138,419

3. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

2013

	Sales of smart cards and plastic cards *HK$*	Sales of smart card application systems *HK$*	Financial and management consultancy services *HK$*	Trading of scrap metals *HK$*	Corporate/ Unallocated *HK$*	Consolidated *HK$*
Reportable segment revenue	124,713,144	31,678	5,344,292	4,260,977	–	134,350,091
Reportable segment profit/(loss)	(28,400,836)	(23,079)	35,585,062	(3,832,842)	–	3,328,305
Fair value loss on a financial derivative						(75,216,414)
Finance costs						(2,961,596)
Impairment loss on amount due from a joint venture						(60,535,365)
Share of profits of an associate						130,223
Unallocated interest income						37,278
Corporate expenses, net						(3,882,381)
Loss before income tax						(139,099,950)
Reportable segment assets	116,734,949	12,175	202,172,912	5,634,641	14,113,831	338,668,508
Interest in an associate						996,282
Long-term financial assets						60,246,854
Intangible assets						420,000
Proceeds receivable from partial disposal of a joint venture						14,523,600
Pledged bank deposits						3,009,616
Cash and cash equivalents						12,087,545
Total consolidated assets						429,952,405
Reportable segment liabilities	54,034,903	30,620	333,000	358,732	1,835,094	56,592,349
Borrowings						49,437,096
Convertible bonds						14,622,664
Current tax liabilities						779,764
Deferred tax liabilities						4,707
Total consolidated liabilities						121,436,580

						Consolidated *HK$*
Other information						
Depreciation	18,897,675	–	187,628	282,687	–	19,367,990
Interest income	–	–	30,373,345	–	37,278	30,410,623
Additions to specified non-current assets	4,550,639	–	–	1,067,679	–	5,618,318

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

Specified non-current assets include property, plant and equipment, intangible assets and interest in associate.

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2014	2013	**2014**	2013
	HK$	*HK$*	***HK$***	*HK$*
Denmark, France, United Kingdom	**66,256,789**	45,366,780	**–**	–
Hong Kong	**543,356**	307,448	**1,021,539**	1,513,220
India, Indonesia, Singapore	**26,687,692**	20,373,917	**–**	–
Mauritius and South Africa	**2,182,564**	5,477,520	**–**	–
The PRC, excluding Hong Kong	**358,185,875**	51,289,268	**50,715,132**	60,138,949
Others	**8,077,768**	11,535,158	**2,670,107**	1,675,662
Total	**461,934,044**	134,350,091	**54,406,778**	63,327,831

The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have activities. Since the major operations of the Group are conducted in PRC, PRC is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 *Operating Segments*.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2014	2013
	HK$	*HK$*
Customer A	**104,359,721**	N/A[1]
Customer B	**66,582,798**	45,148,699
Customer C	**62,335,542**	N/A[1]
Customer D	**53,549,067**	N/A[1]
Customer E	**N/A[2]**	15,553,845

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group during the prior year.

[2] The corresponding revenue did not contribute over 10% of total revenue of the Group during the current year.

4. REVENUE

The Group's principal activities are disclosed in note 3. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the reporting period is as follows:

	2014	2013
	HK$	*HK$*
Sales of smart cards and plastic cards	**194,224,272**	124,713,144
Sales of smart card application systems	**39,990**	31,678
Sales of petro-chemical products	**260,422,526**	–
Financial and management consultancy services	**5,907,042**	5,344,292
Trading of scrap metals	**1,340,214**	4,260,977
	461,934,044	134,350,091

5. OTHER INCOME

	2014	2013
	HK$	*HK$*
Interest income *(note)*	**50,164,583**	30,410,623
Sundry income	**3,169,087**	1,460,174
	53,333,670	31,870,797

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.

6. OTHER LOSSES, NET

	2014	2013
	HK$	*HK$*
Loss on disposal of property, plant and equipment	**55,518**	4,818
Exchange losses, net	**499,561**	1,106,487
	555,079	1,111,305

7. FINANCE COSTS

	2014	2013
	HK$	*HK$*
Interest charges on bank loans wholly repayable within five years *(note)*	**1,053,552**	1,137,421
Interest element of finance lease payments	**2,839**	20,277
Interest on convertible bonds	**3,673,859**	1,504,688
Interest charges on other borrowings	**1,194,359**	299,210
	5,924,609	2,961,596

Note:

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. For the year ended 31 December 2014, interest charges on bank borrowings which contain a repayment on demand clause amounted to HK$1,032,367 (2013: HK$890,292).

8. LOSS BEFORE INCOME TAX

	2014	2013
	HK$	*HK$*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**570,000**	530,000
Costs of inventories recognised as expenses	**434,987,175**	127,912,184
Depreciation		
– Owned assets	**16,794,357**	19,192,870
– Leased assets	**175,120**	175,120
	16,969,477	19,367,990
Employee benefit expenses	**45,175,692**	40,910,564
Operating lease charges on land and buildings	**7,887,549**	7,399,323
Bad debts written off	**200,000**	–
Impairment loss on other receivables and prepayments	**27,758,100**	–
Research and development costs	**967**	28,787

9. INCOME TAX EXPENSE

	2014	2013
	HK$	*HK$*
Current tax		
Hong Kong Profits Tax:		
Current year	**1,482,038**	1,908,255
Over provision in prior year	**(1,140,437)**	(92,785)
	341,601	1,815,470
PRC Enterprise Income Tax ("EIT")		
Current year	**252,345**	98,399
Total income tax expense	**593,946**	1,913,869

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Taxation for subsidiaries established and operated in the PRC is calculated on the estimated assessable profit for the year 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% (2013: 25%).

9. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2014	2013
	HK$	*HK$*
Loss before income tax	**(133,048,117)**	(139,099,950)
Income tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**(21,952,939)**	(22,951,492)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,862,398)**	(2,516,789)
Tax effect of non-deductible expenses	**27,957,331**	25,188,546
Tax effect of non-taxable income	**(8,639,188)**	(3,726,804)
Tax effect of tax losses not recognised	**6,197,550**	6,110,757
Tax effect of other temporary differences not recognised	**66,202**	(97,564)
Over provision in prior year	**(1,140,437)**	(92,785)
Others	**(32,175)**	–
Income tax expense	**593,946**	1,913,869

10. DIVIDENDS

(a) Dividends attributable to the year

The Board does not recommend any payment of a final dividend for the year ended 31 December 2014 (2013: nil).

(b) Dividends attributable to the previous financial year approved during the year

	2014	2013
	HK$	*HK$*
No final dividend in respect of the previous financial year (2013: 0.2 HK cents per share)	**–**	6,323,670

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$133,816,554 (2013: HK$141,013,819) and the weighted average of 3,228,920,644 (2013: 3,147,280,205) ordinary shares in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the year ended 31 December 2014 and 2013.

12. LONG-TERM FINANCIAL ASSETS

	2014 *HK$*	2013 *HK$*
Investment in Hota (USA) *(note (a))*	**–**	58,088,796
Investment in Guangzhou Tecsun *(note (b))*	**2,158,058**	2,158,058
	2,158,058	60,246,854

Notes:

(a) Hota (USA) Holding Corp. ("Hota (USA)") is an investment holding company incorporated in the United States of America. As at 31 December 2014, Hota (USA) had equity holdings in the entire issued share capital of a PRC entity which is principally engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles (the "Resources Recycling Business"). As at 31 December 2014, the Group is interested in (i) 83.33% (2013: 83.33%) of the Series A preferred shares of Hota (USA), which entitle the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2013: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. As at 31 December 2014, the Group is interested in 57.81% (2013: 57.81%) of the entire share capital of Hota (USA) as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

The Group's investment in the Series A preferred shares of Hota (USA) is accounted for as an available-for-sale financial asset which is stated at fair value of HK$65,309,305 (2013: HK$77,140,515) as at 31 December 2014, with a derivative component arising from the conversion right of the Series A preferred shares which is stated at fair value of HK$12,482,378 (2013: HK$58,739,964) as at 31 December 2014. During the year ended 31 December 2014, fair value loss on investment in series A preferred shares of the available-for-sale financial asset and derivative component amounting to HK$11,831,210 (2013: gain of HK$1,496,067) and HK$46,257,586 (2013: loss of HK$75,216,414) was recognised in other comprehensive income and profit or loss respectively.

The Group's investment in the common shares of Hota (USA) is accounted for as interest in a joint venture. No share of profit or losses of Hota (USA) and its subsidiary (the "Hota Group") is recognised by the Group for the year ended 31 December 2013 and 2014. The losses are applied to and has reduced the Group's investment in the Series A preferred shares of Hota (USA) which are in substance part of the Group's long-term investment in Hota Group.

	2014 *HK$*	2013 *HK$*
Investment in Series A preferred shares		
Available-for-sale financial asset	**65,309,305**	77,140,515
Derivative component	**12,482,378**	58,739,964
	77,791,683	135,880,479
Interest in a joint venture	**(77,791,683)**	(77,791,683)
	–	58,088,796

12. LONG-TERM FINANCIAL ASSETS (CONTINUED)

Details of Hota (USA) and its principal subsidiary as at 31 December 2014 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Percentage of Ownership interest	Principal activities
Hota (USA)	USA	Common shares USD34	35.29% (2013: 35.29%)	Investment holding
		Series A preferred shares USD12,000,000	83.33% (2013: 83.33%)	
張家港永峰泰環保科技有限公司 (Hota Auto Recycling Corporation)*	The PRC	USD20,000,000		Resources recycling business

* wholly-foreign-owned enterprise held by Hota (USA)

(b) The investment represents 11.33% equity interest in Guangzhou Tecsun Golden Card Ltd. (廣州德生金卡有限公司) ("Guangzhou Tecsun"), a PRC entity with paid up registered capital of RMB41,700,000.

	2014	2013
	HK$	*HK$*
Unlisted equity securities, at cost	**4,458,058**	4,458,058
Less: Provision for impairment	**(2,300,000)**	(2,300,000)
	2,158,058	2,158,058

The investment in Guangzhou Tecsun is classified as an available-for-sale financial asset and is measured at cost less impairment losses as there is no quoted market price in active markets for the investment and the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

13. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$	*HK$*
Trade receivables	**75,278,247**	39,295,229
Less: Provision for impairment of trade receivables	**–**	–
Trade receivables, net *(note (a))*	**75,278,247**	39,295,229
Other receivables, deposits and prepayments *(note (b))*	**53,290,648**	41,194,080
Less: Provision for impairment of other receivables and prepayments	**(27,758,100)**	–
Other receivables, net *(note (b))*	**25,532,548**	41,194,080
	100,810,795	80,489,309

Notes:

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

	2014	2013
	HK$	*HK$*
0 – 30 days	**27,346,701**	17,142,005
31 – 90 days	**42,592,648**	17,748,439
Over 90 days	**5,338,898**	4,404,785
	75,278,247	39,295,229

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2014, none of the Group's trade receivables (2013: nil) which were aged over 120 days have been identified as impaired and accordingly, no provision has been made in respect of these receivables.

The movement in the allowance for impairment of trade receivables is as follows:

	2014	2013
	HK$	*HK$*
Carrying amount at 1 January	**–**	206,238
Impairment losses recognised	**–**	–
Amounts written off as uncollectible	**–**	(206,238)
Carrying amount at 31 December	**–**	–

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2014	2013
	HK$	*HK$*
Neither past due nor impaired	**57,549,355**	25,675,523
1 – 30 days past due	**9,062,142**	5,770,318
31 – 90 days past due	**7,337,333**	6,023,379
Over 90 days past due	**1,329,417**	1,826,009
	75,278,247	39,295,229

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.

(b) Other receivables of 2013 and 2014 included the outstanding consideration in relation to a partial disposal of interests in Hota (USA) in 2011 amounting to approximately USD1,862,000 (equivalent to HK$14,523,600) (2013: USD1,862,000 (equivalent to HK$14,523,600)). Pursuant to the purchase agreement, the outstanding consideration would be fully settled by 23 April 2012. However, as at 31 December 2014, the amount was still outstanding. The management assessed that the entire amount cannot be recovered and accordingly, impairment provision of HK$14,523,600 had been made in respect of these balances.

Prepayments of 2013 and 2014 included the deposit payment in relation to purchases of scrap vehicles amounting to HK$13,234,500 (2013: HK$13,234,500). As at 31 December 2014, the management assessed that the entire amount cannot be recovered and accordingly, impairment provision of HK$13,234,500 had been made in respect of these balances.

The directors of the Company consider that the fair values of trade and other receivables, which are expected to be recovered within one year, are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

14. TRADE AND OTHER PAYABLES

	2014	2013
	HK$	*HK$*
Trade payables	**86,229,425**	39,217,887
Other payables and accrual	**19,712,381**	17,374,462
	105,941,806	56,592,349

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

	2014	2013
	HK$	*HK$*
0 – 30 days	**24,695,103**	9,287,804
31 – 60 days	**23,709,848**	6,708,881
61 – 90 days	**12,467,289**	5,710,812
Over 90 days	**25,357,185**	17,510,390
	86,229,425	39,217,887

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

Basis for qualified opinion

As at 31 December 2014, the Company and the Group had an amount due from its joint venture, Hota (USA) Holding Corp. ("Hota (USA)") and its wholly owned subsidiary, Hota Auto Recycling Corporation ("HARC" collectively the "Hota Group") of approximately HK$164,311,000 and for the year ended 31 December 2014, an impairment loss on the amount due from the joint venture of approximately HK$92,332,000 is recognised to the Company's and the Group's profit or loss. For the purpose of assessing the impairment of the amount due from the joint venture, the management of the Group used the discounted cash flow method to estimate the expected repayments from the Hota Group with reference to the free cash flows available to settle the debts as reflected in profit and cash flow forecasts prepared by the management of the Hota Group (the "Forecasts").

However, as further explained below, we were not provided with sufficient appropriate audit evidence regarding the reasonableness of the financing and sales assumptions made in the Forecasts.

The Forecasts assume that the Hota Group will be able to obtain sufficient funding to meet its short term financing and working capital needs through raising additional loans from banks and another lender. We were not provided with sufficient appropriate audit evidence that banks will advance new loans to HARC as there are no new bank facilities committed or ongoing negotiations with any bankers. We were also unable to obtain sufficient financial information about the other potential lender to satisfy ourselves about his ability to provide the necessary funds.

Further, we were unable to obtain sufficient appropriate audit evidence about the sales assumptions in the Forecasts. The management of the Hota Group has relied on the expected possible cooperation with two parties. However, there are no binding agreements signed with these two parties and hence the possible cooperation may or may not proceed and there was no alternative evidence available to us to satisfy ourselves that the sales assumptions in the Forecast will be achievable.

There were no other satisfactory audit procedures that we could perform in order to satisfy ourselves as to the reasonableness of the financing and sales assumptions in the Forecasts. Accordingly, we were unable to assess the Hota Group's ability to repay the debts from its forecasted free cash flows and therefore whether the impairment loss recognised for the year and the carrying amount of the amount due from the joint venture as at 31 December 2014 have been fairly stated.

Any adjustments considered necessary to the carrying amounts of the Company's and the Group's amount due from a joint venture would have a consequential effect on the Group's consolidated statement of financial position as at 31 December 2014 and the Group's loss and total comprehensive income for the year ended 31 December 2014 and the Company's statement of financial position as at 31 December 2014, respectively.

Qualified opinion

In our opinion, except for the possible effect of the matters described in the basis of qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year under review, the Group's financial results was principally derived from contract manufacturing and sales of smart cards and plastic cards, the provision of customised smart card application systems, the provision of management and financial consultancy services, trading of scrap metals and also the sales of petro-chemical products from our new joint venture in Shanghai which has formally commenced business in the latter half of September 2014.

During the year under review, the Group's revenue generated from the smartcard business (including module packaging and testing service) amounted to HK$194.2 million, up by HK$69.5 million or 55.7% as compared to the corresponding period in 2013 of HK$124.7 million, among which HK$131.2 million (2013: HK$109.8 million) and HK$63.0 million (2013: HK$14.9 million) were attributable to the traditional SIM cards business and the module packaging and testing service business respectively.

Revenue generated from this segment in Q4 rose by HK$20.8 million as compared to the last quarter of HK$50.4 million, and reached a record high of HK$71.2 million. It was mainly attributable to the fact that (i) Q4 is a traditional peak season for the SIM cards business; and (ii) the continuous ramp up progress of the module packaging and testing service business (the production plant was running near full capacity in Q4 and net profit generated from this business amounted to HK$0.68 million this quarter). By offering smartcard IC module packaging and testing services, the Board believes the Company will capture a greater portion of the value and profit in the smartcard production chain, and provide improved one-stop services to its existing and potential customers. This should enhance competitiveness and achieve a return to smartcard revenue growth and better profits for the Group.

The Group's new joint venture in Shanghai, whose main business operations shall be the operations of natural gas filling stations in the Yangtze River Delta region and other petrochemical related business, was formally established on 27 August 2014, and started to conduct petro-chemical product sales in the latter half of September 2014. During the year under review, revenue generated from this segment amounted to HK$260.4 million. It is expected that this segment may become an increasingly important profit generator of the Group in the future once the stations start operations.

Revenue generated from the provision of management and financial consultancy services amounted to HK$5.9 million during the year under review, representing an increase of 10.5% as compared to the corresponding period in last year of HK$5.3 million.

The Group's trading of scrap metal business generated a revenue of HK$1.3 million during the year under review (2013: HK$4.3 million).

Cost of Sales and Gross Profit

During the year under review, cost of sales increased by HK$307.1 million, or 240.1%, from HK$127.9 million for the corresponding period of 2013, to HK$435.0 million. The increase in cost of sales was largely attributable to (i) incurrence of cost of sales of HK$259.3 million in relation to sales of petro-chemical products; and (ii) an increase of cost of sales of HK$50.7 million for smartcard business due to increased sales.

As a result, gross profit increased by HK$20.5 million or 381.6%, from the corresponding period in last year of HK$6.4 million, to HK$26.9 million.

Other Income

Other income of HK$53.3 million (2013: HK$31.9 million) was mainly comprised of interest income arising from amount due from a joint venture and bank deposits of HK$50.1 million (2013: HK$30.4 million) plus sundry revenue of HK$3.2 million (2013: HK$1.5 million).

Fair Value Loss on a Financial Derivative

The Group's investment in the Series A preferred shares of Hota (USA) is accounted for as an available-for-sale financial asset with a derivative component arising from the conversion right of the Series A preferred shares which is stated at fair value of HK$12,482,378 (2013: HK$58,739,964) as at 31 December 2014. Due to the prolonged postponement of Hota's operations commencement in the PRC and having taken various factors into account, a fair value loss on a financial derivative of HK$46,257,586 was recognised in 2014 (2013: loss of HK$75,216,414).

Impairment Loss on Amount due from a Joint Venture

Due to the prolonged delay in HOTA's operations commencement in the PRC, the expected repayment dates of the loans were affected and postponed accordingly. Based on expected repayment schedule, the present value of the loans was impaired and a loss of HK$92,331,903 was recognized.

Other Gains or Losses

During the year under review, other losses amounted to HK$0.6 million (2013: HK$1.1 million) which was primarily represented by the exchange losses arising from the foreign currency-based transactions.

Selling and Distribution Costs

Selling and distribution costs increased by 7.4% over the corresponding period in 2013 to HK$7.4 million (2013: HK$6.9 million), and was mainly attributable to the increase of promotional expenses and delivery costs associated with the increased sales of the smartcard business segment.

Administrative Expenses

Administrative expenses recorded an increase of HK$1.8 million or 5.9% over the corresponding period in 2013 to HK$32.6 million (2013: HK$30.8 million). The increase was primarily attributable to the incurrence of certain legal and professional fees during the year under review.

Finance Costs

During the period under review, the Group's finance costs amounted to HK$5.9 million (2013: HK$3.0 million), the increase was due largely to the interests accrued and payable in relation to the interest of the convertible bonds which were issued by the Company in 2013Q3, as well as interests arising from other borrowings.

Income Tax Expense

During the period under review, the income tax expense of the Group amounted to HK$0.6 million (2013: HK$1.9 million).

As a result of the foregoing, loss attributable to the owners of the Company in 2014 amounted to HK$133.8 million (2013: HK$141.0 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities, issuance of new shares, bank loans, finance lease arrangements and other borrowings. As at 31 December 2014, the Group had cash and bank balances of HK$26.3 million, secured bank loans and other borrowings of HK$41.9 million.

As at 31 December 2014, the Group had current assets of HK$310.1 million and current liabilities of HK$148.4 million. The current ratio, expressed as current assets over current liabilities, was 2.09.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group employed a total of 558 employees, of which 13 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was HK$45.2 million for the year 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

With the exception of the investments in Hota (USA) and 力欣房地產經紀（上海）有限公司, an associate, there were no other significant investments for the year ended 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2014, certain machinery and equipment with the carrying amounts of HK$17,422,472 and bank deposits of HK$6,820,908 were pledged by the Company's subsidiaries as collaterals to secure general banking facilities granted to the Group. In addition, the Company's subsidiary has assigned the trade receivables of certain customers to secure borrowings amounting to HK$9,827,775 (2013: HK$7,617,717) granted to the Group.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 11.2% as at 31 December 2014 (2013: 14.9%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2014 (2013: nil).

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 control 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. Four audit committee meetings were held during the financial year 2014.

The Group's results for the year ended 31 December 2014 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 year of 2014, 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 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.

COMPETING INTERESTS

As at 31 December 2014, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, the Company redeemed certain convertible bonds of the Company in the aggregate principal amount of HK$16,942,500 from holders of the convertible bonds. Besides, the Company repurchased and cancelled a total of 2,770,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$661,080.

Particulars of the repurchases are as follows:

Date of repurchase	**No. of Shares**	**Price per share**		**Aggregate Price**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
September	750,000	0.245	0.238	181,120
October	2,020,000	0.240	0.232	479,960
	2,770,000			661,080

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 9:15 a.m., on Friday, 8 May 2015, at Unit 302, 3rd Floor, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Wednesday, 6 May 2015 to Friday, 8 May 2015 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 5 May 2015.

By order of the Board
Lily Wu
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board comprises three executive Directors, Ms. Lily Wu (Chairman and Chief Executive Officer), Mr. Chang Wei Wen, Mr. Yang Meng Hsiu, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at www.phoenitron.com.