



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 ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**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 announcement, 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 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.

SUMMARY

- The Group recorded an unaudited revenue from continuing operations of approximately HK\$37,591,000 for the six months ended 30 June 2020, representing an increase of 42.8% as compared with that of the corresponding period in 2019.
- The unaudited profit attributable to the owners of the Company from continuing operations for the six months ended 30 June 2020 was approximately HK\$2,051,000.
- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2020.

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 2020 together with the comparative figures for the corresponding periods in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Continuing operations					
Revenue	3	29,256,121	16,003,953	37,591,322	26,315,898
Cost of sales		(17,762,470)	(11,653,211)	(24,541,216)	(18,875,187)
Gross profit		11,493,651	4,350,742	13,050,106	7,440,711
Other income	4	573,985	5,746	594,003	18,565
Other (losses)/gains, net	5	(2,922)	5,287,026	(137,622)	5,693,278
Selling and distribution costs		(980,180)	(874,051)	(1,546,369)	(1,586,948)
Administrative expenses		(4,851,031)	(5,812,531)	(9,722,799)	(11,443,065)
Finance costs	6	(99,256)	(126,085)	(206,565)	(344,422)
Profit/(Loss) before income tax	7	6,134,247	2,830,847	2,030,754	(221,881)
Income tax (expense)/credit	8	-	(132,365)	20,000	(404,365)
Profit/(Loss) for the period from continuing operations		6,134,247	2,698,482	2,050,754	(626,246)
Discontinued operations					
Loss for the period from discontinued operations	9	-	(1,739,291)	-	(313,149)
Profit/(Loss) for the period		6,134,247	959,191	2,050,754	(939,395)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange gain/(loss) on translation of financial statements of foreign operations		28,365	(150,782)	114,165	154,583
Release of translation reserve on disposal of subsidiaries		-	(3,134,077)	-	(3,134,077)
Other comprehensive income/(loss) for the period		28,365	(3,284,859)	114,165	(2,979,494)
Total comprehensive income/(loss) for the period		6,162,612	(2,325,668)	2,164,919	(3,918,889)

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
Notes	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
		(Restated)		(Restated)
Profit/(Loss) for the period attributable to:				
Owners of the Company				
– Continuing operations	6,134,372	2,698,607	2,050,879	(626,121)
– Discontinued operations	–	(1,709,575)	–	(235,179)
Non-controlling interests				
– Continuing operations	(125)	(125)	(125)	(125)
– Discontinued operations	–	(29,716)	–	(77,970)
	<u>6,134,247</u>	<u>959,191</u>	<u>2,050,754</u>	<u>(939,395)</u>
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company				
– Continuing operations	6,162,737	37,091	2,165,044	(3,611,082)
– Discontinued operations	–	(2,177,082)	–	(231,079)
Non-controlling interests				
– Continuing operations	(125)	(125)	(125)	(125)
– Discontinued operations	–	(185,552)	–	(76,603)
	<u>6,162,612</u>	<u>(2,325,668)</u>	<u>2,164,919</u>	<u>(3,918,889)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share				
<i>11</i>				
Basic				
– Continuing operations	1.168	0.513	0.390	(0.119)
– Discontinued operations	–	(0.325)	–	(0.045)
	<u>1.168</u>	<u>0.188</u>	<u>0.390</u>	<u>(0.164)</u>
Diluted				
– Continuing operations	1.168	0.513	0.390	(0.119)
– Discontinued operations	–	(0.325)	–	(0.045)
	<u>1.168</u>	<u>0.188</u>	<u>0.390</u>	<u>(0.164)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	6,481,287	5,978,098
Intangible assets		420,000	420,000
Right-of-use assets		7,044,890	8,580,851
Prepayments for acquisition of property, plant and equipment		<u>1,007,143</u>	<u>–</u>
		14,953,320	14,978,949
Current assets			
Inventories	13	2,729,741	2,243,733
Trade and other receivables	14	47,641,681	30,924,775
Investment in TV programmes		26,850,000	26,850,000
Contract assets		–	624,000
Tax recoverable		574,887	393,790
Cash and cash equivalents		<u>2,678,387</u>	<u>10,270,969</u>
		80,474,696	71,307,267
Current liabilities			
Trade and other payables	15	38,706,884	28,240,339
Lease liabilities		2,553,367	2,911,480
Contract liabilities		–	783,900
Borrowings		<u>521,053</u>	<u>1,715,385</u>
		41,781,304	33,651,104
Net current assets		<u>38,693,392</u>	<u>37,656,163</u>
Total assets less current liabilities		<u>53,646,712</u>	<u>52,635,112</u>
Non-current liabilities			
Lease liabilities		5,765,994	6,919,313
Deferred tax liabilities		<u>4,707</u>	<u>4,707</u>
		5,770,701	6,924,020
Net assets		<u>47,876,011</u>	<u>45,711,092</u>

	<i>Notes</i>	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
EQUITY			
Share capital	<i>16</i>	105,069,500	105,069,500
Reserves		(57,424,387)	(59,589,431)
Equity attributable to the owners of the Company		47,645,113	45,480,069
Non-controlling interests		230,898	231,023
Total equity		<u>47,876,011</u>	<u>45,711,092</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Accumulated losses*			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(408,144,617)	82,354,198	5,627,670	87,981,868
Repurchase of shares	(66,000)	6,209	-	-	-	-	-	(59,791)	-	(59,791)
Transactions with owners	(66,000)	6,209	-	-	-	-	-	(59,791)	-	(59,791)
Loss for the period	-	-	-	-	-	-	(861,300)	(861,300)	(78,095)	(939,395)
Other comprehensive income/(loss)										
– Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	153,216	-	153,216	1,367	154,583
– Release of translation reserve on disposal of subsidiaries	-	-	-	-	-	(3,134,077)	-	(3,134,077)	-	(3,134,077)
Total comprehensive loss for the period	-	-	-	-	-	(2,980,861)	(861,300)	(3,842,161)	(76,728)	(3,918,889)
Balance at 30 June 2019	<u>105,192,500</u>	<u>363,323,925</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>1,617,062</u>	<u>(409,005,917)</u>	<u>78,452,246</u>	<u>5,550,942</u>	<u>84,003,188</u>
Balance at 1 January 2020	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,022,834</u>	<u>(450,277,733)</u>	<u>45,480,069</u>	<u>231,023</u>	<u>45,711,092</u>
Profit/(Loss) for the period	-	-	-	-	-	-	2,050,879	2,050,879	(125)	2,050,754
Other comprehensive income										
– Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	114,165	-	114,165	-	114,165
Total comprehensive income/(loss) for the period	-	-	-	-	-	114,165	2,050,879	2,165,044	(125)	2,164,919
Balance at 30 June 2020	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,136,999</u>	<u>(448,226,854)</u>	<u>47,645,113</u>	<u>230,898</u>	<u>47,876,011</u>

* The total of these accounts as at the reporting date represents “Reserves” of HK\$57,424,387 (30 June 2019: HK\$26,740,254) in deficit in the consolidated statement of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	(2,794,234)	(7,427,510)
Net cash (used in)/from investing activities	(2,252,063)	23,242,940
Net cash used in financing activities	<u>(2,635,649)</u>	<u>(6,708,857)</u>
Net (decrease)/increase in cash and cash equivalents	(7,681,946)	9,106,573
Cash and cash equivalents at beginning of the period	10,270,969	837,849
Effect of foreign exchange rate changes	<u>89,364</u>	<u>—</u>
Cash and cash equivalents at end of the period	<u><u>2,678,387</u></u>	<u><u>9,944,422</u></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 2020 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”) and the accounting principles generally accepted in Hong Kong. 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 2019.

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 2020, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2019, 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.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

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 2019.

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) Sales and trading of scrap metals; and
- (v) Media and entertainment.

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

During 2019, the Group has further expanded its business segment to include media and entertainment through the new investment in TV programmes. In addition, operation in sales of petrochemical products was discontinued. The segment information reported on next pages does not include any amounts for the discontinued operation, which is described in more detail in note 9.

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, gain on disposal of subsidiaries, exchange gains/losses (net) and corporate income and expenses (net) 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 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.

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, profit/(loss) before income tax from continuing operations, total assets and total liabilities are as follows:

Six months ended 30 June 2020

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment revenue	<u>37,590,722</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,591,322</u>
Reportable segment profit/(loss)	<u>6,695,439</u>	<u>(2,043)</u>	<u>(62,372)</u>	<u>(1,620,478)</u>	<u>(550)</u>	<u>-</u>	<u>5,009,996</u>
Finance costs							(206,565)
Exchange losses, net							(137,622)
Corporate expenses, net							<u>(2,635,055)</u>
Profit before income tax from continuing operations							<u>2,030,754</u>

Six months ended 30 June 2019

	Sales of smart cards <i>HK\$</i> (Unaudited) (Restated)	Sales of application systems <i>HK\$</i> (Unaudited) (Restated)	Financial and management consultancy services <i>HK\$</i> (Unaudited) (Restated)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited) (Restated)	Media and entertainment <i>HK\$</i> (Unaudited) (Restated)	Unallocated <i>HK\$</i> (Unaudited) (Restated)	Consolidated <i>HK\$</i> (Unaudited) (Restated)
Reportable segment revenue	<u>26,270,318</u>	<u>45,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,315,898</u>
Reportable segment loss	<u>(449,685)</u>	<u>(3,263)</u>	<u>(453,063)</u>	<u>(1,699,955)</u>	<u>-</u>	<u>-</u>	<u>(2,605,966)</u>
Finance costs							(344,422)
Gain on disposal of subsidiaries							5,006,004
Exchange gains, net							687,274
Corporate expenses, net							<u>(2,964,771)</u>
Loss before income tax from continuing operations							<u>(221,881)</u>

30 June 2020

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment assets	<u>53,236,838</u>	<u>3,840</u>	<u>-</u>	<u>3,787,572</u>	<u>26,850,000</u>	<u>7,876,492</u>	<u>91,754,742</u>
Intangible assets							420,000
Tax recoverable							574,887
Cash and cash equivalents							<u>2,678,387</u>
Total consolidated assets							<u>95,428,016</u>
Reportable segment liabilities	<u>44,054,394</u>	<u>6,000</u>	<u>-</u>	<u>639,012</u>	<u>-</u>	<u>2,326,839</u>	<u>47,026,245</u>
Borrowings							521,053
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>47,552,005</u>

31 December 2019

	Sales of smart cards <i>HK\$</i> (Audited)	Sales of smart card application systems <i>HK\$</i> (Audited)	Financial and management consultancy services <i>HK\$</i> (Audited)	Sales and trading of scrap metals <i>HK\$</i> (Audited)	Media and entertainment <i>HK\$</i> (Audited)	Unallocated <i>HK\$</i> (Audited)	Consolidated <i>HK\$</i> (Audited)
Reportable segment assets	<u>36,078,635</u>	<u>11,395</u>	<u>-</u>	<u>3,373,050</u>	<u>26,850,000</u>	<u>8,888,377</u>	75,201,457
Intangible assets							420,000
Tax recoverable							393,790
Cash and cash equivalents							<u>10,270,969</u>
Total consolidated assets							<u>86,286,216</u>
Reportable segment liabilities	<u>35,459,762</u>	<u>16,500</u>	<u>-</u>	<u>324,815</u>	<u>-</u>	<u>3,053,955</u>	38,855,032
Borrowings							1,715,385
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>40,575,124</u>

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

3. REVENUE

The Group's revenue from continuing operations for goods transferred at a point in time from external customers is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 <i>HK\$</i>	2019 <i>HK\$</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Continuing operations – by product lines				
Sales of smart cards	<u>29,256,121</u>	15,999,473	<u>37,590,722</u>	26,270,318
Sales of smart card application systems	<u>-</u>	4,480	<u>600</u>	45,580
	<u>29,256,121</u>	<u>16,003,953</u>	<u>37,591,322</u>	<u>26,315,898</u>

4. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Continuing operations				
Bank interest income	1,695	699	3,458	1,090
Sundry income	572,290	5,047	590,545	17,475
	<u>573,985</u>	<u>5,746</u>	<u>594,003</u>	<u>18,565</u>

5. OTHER (LOSSES)/GAINS, NET

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$
Continuing operations				
Gain on disposal of subsidiaries	–	5,006,004	–	5,006,004
Exchange (losses)/gains, net	(2,922)	281,022	(137,622)	687,274
	<u>(2,922)</u>	<u>5,287,026</u>	<u>(137,622)</u>	<u>5,693,278</u>

6. FINANCE COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Continuing operations				
Finance charges on lease liabilities	99,256	123,819	206,565	248,140
Interest charges on other borrowings	–	2,266	–	96,282
	<u>99,256</u>	<u>126,085</u>	<u>206,565</u>	<u>344,422</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

Continuing operations

Profit/(Loss) before income tax from continuing operations is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Cost of inventories recognised as expenses	17,762,470	11,653,211	24,541,216	18,875,187
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	250,903	481,449	485,669	1,054,806
Depreciation				
– Owned assets	611,348	638,039	1,179,724	1,294,240
– Right-of-use assets	730,114	619,391	1,466,205	1,143,942
	<u>17,762,470</u>	<u>11,653,211</u>	<u>24,541,216</u>	<u>18,875,187</u>

8. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Continuing operations				
Current tax				
– Hong Kong Profits Tax				
Current year	–	132,365	–	404,365
Over-provision in prior year	–	–	(20,000)	–
Total income tax expense	<u>–</u>	<u>132,365</u>	<u>(20,000)</u>	<u>404,365</u>

Notes:

(a) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the six months ended 30 June 2020, Hong Kong profits tax has been provided at the rate of 16.5% (2019: Hong Kong profits tax of the nominated Group company is calculated in accordance with the two-tiered profits tax rates regime) of the estimated assessable profits for the 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% (2019: 25%) for the six months ended 30 June 2020.

9. DISCONTINUED OPERATIONS

On 12 December 2019, the Group disposed of its 100% equity interests in Waywise Step International Limited (“Waywise Step International”) and ceased the business in sales of petrochemical products thereafter. Waywise Step International holds the entire interest in Phoenitron Resources Company Limited (“Phoenitron HK”), which in turn, holds 75% of equity interest in Shanghai Phoenitron Petroleum & Chemical Company Limited (“Shanghai Phoenitron”) and its wholly-owned subsidiary (collectively the “Waywise Group”).

Analysis of comparative figures for the corresponding periods in 2019 from discontinued operations

The comparative results of the discontinued operations included in the unaudited consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows are set out below.

(a) Loss for the period from discontinued operations

	Unaudited	
	Three months ended 30 June 2019 HK\$ (Restated)	Six months ended 30 June 2019 HK\$ (Restated)
Revenue	–	–
Other income	3	8
Other losses, net	(1,619,817)	–
Administrative expenses	(119,477)	(313,157)
	<hr/>	<hr/>
Loss before income tax from discontinued operations	(1,739,291)	(313,149)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	(1,739,291)	(313,149)
	<hr/> <hr/>	<hr/> <hr/>
Loss for the period from discontinued operations attributable to:		
– Owners of the Company	(1,709,575)	(235,179)
– Non-controlling interests	(29,716)	(77,970)
	<hr/>	<hr/>
	(1,739,291)	(313,149)
	<hr/> <hr/>	<hr/> <hr/>

None of depreciation and amortization and auditors’ remuneration included in loss for the period from discontinued operations.

(b) Cash flows for the period from discontinued operations

	Unaudited Six months ended 30 June 2019 HK\$
Net cash outflows from operating activities	(7,213)
Net cash inflows from investing activities	8
Net cash inflows from financing activities	250
	<hr/>
Net cash outflows	(6,955)
	<hr/> <hr/>

10. DIVIDEND

The board does not recommend any payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

11. EARNINGS/(LOSS) PER SHARE

From continuing operations

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Profit/(Loss) attributable to owners of the Company (HK\$)	6,134,372	2,698,607	2,050,879	(626,121)
Weighted average number of ordinary shares in issue	525,347,500	526,134,478	525,347,500	526,213,052
Basic earnings/(loss) per share (expressed in HK cents per share)	<u>1.168</u>	<u>0.513</u>	<u>0.390</u>	<u>(0.119)</u>

(b) Diluted earnings/(loss) per share

No adjustment has been made to basic earnings per share as the outstanding share options had anti-dilutive effect on the basic earnings per share for the three months ended 30 June 2020, the three months ended 30 June 2019 and the six months ended 30 June 2020.

The diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2019 is the same as the basic loss per share because conversion of share options only decreases the loss per share and, therefore is anti-dilutive.

From discontinued operations

Basic/diluted loss per share for discontinued operations for the three months and the six months ended 30 June 2019 are 0.325 HK cents per share (restated) and 0.045 HK cents per share (restated) respectively, based on the unaudited loss for the respective periods from discontinued operations of HK\$1,709,575 (restated) and HK\$235,179 (restated) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquire property, plant and equipment of HK\$1,746,971 (six months ended 30 June 2019: HK\$496,597).

13. INVENTORIES

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
Raw materials	551,964	961,672
Work-in-progress	341,254	1,258,623
Finished goods	1,836,523	23,438
	<u>2,729,741</u>	<u>2,243,733</u>

14. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
Trade receivables, net (<i>note</i>)	30,543,056	13,812,809
Other receivables, deposits and prepayments, net	17,098,625	17,111,966
	<u>47,641,681</u>	<u>30,924,775</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 ECL allowance) is as follows:

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
0 – 30 days	10,797,659	5,494,533
31 – 90 days	18,114,372	7,071,724
Over 90 days	1,634,447	1,250,499
Less: ECL allowance	<u>(3,422)</u>	<u>(3,947)</u>
	<u>30,543,056</u>	<u>13,812,809</u>

15. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
Trade payables (<i>note</i>)	28,130,652	19,056,397
Other payables and accrual	10,576,232	9,183,942
	<u>38,706,884</u>	<u>28,240,339</u>

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 2020 HK\$	Audited 31 December 2019 HK\$
0 – 30 days	5,307,241	3,086,503
31 – 60 days	5,471,940	2,215,162
61 – 90 days	3,115,047	1,167,186
Over 90 days	14,236,424	12,587,546
	<u>28,130,652</u>	<u>19,056,397</u>

16. SHARE CAPITAL

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
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: 525,347,500 (31 December 2019: 525,347,500) ordinary shares of HK\$0.20 each	<u>105,069,500</u>	<u>105,069,500</u>

17. CAPITAL COMMITMENT

	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
Contracted but not provided for: – Acquisition of property, plant and equipment	<u>1,589,560</u>	–
	<u>1,589,560</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.

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$37.6 million, an increase of approximately HK\$11.3 million or 43.0% as compared to the corresponding period in 2019 of approximately HK\$26.3 million. The increase was mainly due to the widespread outbreak of COVID-19 in other countries in the second quarter which drove our customers to place extra orders to our Shenzhen plant. Nevertheless, the management expects that this situation is temporary and the orders received will be gradually revert to past historic levels.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, due to the increase in revenue by 43.0% year-on-year, cost of sales incurred for the SIM card manufacturing business also up by approximately HK\$5.7 million or 30.3% from approximately HK\$18.8 million for corresponding period in 2019 to approximately HK\$24.5 million.

Due to the increase in revenue and a better sales-mix of an increased provision of higher-value-added service, gross profit of the Group rose by approximately HK\$5.7 million or 77.0%, from the corresponding period in 2019 of approximately HK\$7.4 million, to approximately HK\$13.1 million.

Other Income

Other income of approximately HK\$0.59 million (six months ended 30 June 2019 (restated): approximately HK\$0.02 million) was mainly comprised of the government subsidy of approximately HK\$0.37 million, a discount received from suppliers of approximately HK\$0.17 million and sundry income of approximately HK\$0.05 million.

Other (losses)/gains, net

During the Reporting Period, other losses amounted to approximately HK\$0.14 million which was attributable to the exchange losses arising from foreign currency based transactions (six months ended 30 June 2019: gains of approximately HK\$5.7 million and was represented by a gain on disposal of subsidiaries of approximately HK\$5.0 million and the exchange gains arising from foreign currency based transactions of approximately HK\$0.7 million),.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$1.55 million, representing a slight decline of approximately HK\$0.04 million, or 2.5%, as compared to the corresponding period in 2019 of approximately HK\$1.59 million. The decrease was mainly due to the decreases in various sales-related expenses such as freight charges and overseas travelling expenses.

Administrative Expenses

Administrative expenses recorded a drop of approximately HK\$1.7 million, or 14.9% during the Reporting Period, from approximately HK\$11.4 million (restated) for the corresponding period in 2019, to approximately HK\$9.7 million. The decrease was primarily attributable to the drop in legal and professional fees and rent and rates but partially offset by the increase in depreciation (right-of-use) expenses.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.21 million (six months ended 30 June 2019: approximately HK\$0.34 million). The decrease was mainly attributable to the fact that no interests on borrowings was incurred in this quarter.

Income Tax Expense

During the Reporting Period, an income tax credit of approximately HK\$0.02 million, which is primarily attributable to the over-provision of Hong Kong Profits Tax in prior year arising from the SIM card business (six months ended 30 June 2019: income tax expense of approximately HK\$0.40 million).

Loss for the Period from Discontinued Operations

During the Reporting Period, there was no disposal of discontinued operations. (six months ended 30 June 2019 (restated): operating loss of approximately HK\$0.31 million).

Non-controlling Interest

During the Reporting Period, a loss of HK\$125 attributable to the non-controlling interests was recognized (six months ended 30 June 2019: approximately HK\$0.08 million).

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period for each of the continuing operations and the discontinued operations amounted to approximately HK\$2.05 million and nil respectively (six months ended 30 June 2019 (restated): losses of approximately HK\$0.63 million and approximately HK\$0.24 million respectively).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 30 June 2020 the Group had cash and bank balances of approximately HK\$2.7 million (31 December 2019: approximately HK\$10.3 million) and other borrowings of approximately HK\$0.5 million (31 December 2019: approximately HK\$1.7 million).

As at 30 June 2020, the Group had current assets of approximately HK\$80.5 million (31 December 2019: approximately HK\$71.3 million) and current liabilities of approximately HK\$41.8 million (31 December 2019: approximately HK\$33.7 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 1.9 (31 December 2019: 2.1).

EMPLOYEE INFORMATION

As at 30 June 2020, the Group's continuing operations employed a total of 175 employees (31 December 2019: 153 employees), of which 13 were located in Hong Kong and 6 were located in Taiwan and the rest were located in the PRC. Employee cost, including Directors' remuneration, was approximately HK\$11.0 million (six months ended 30 June 2019 (restated): approximately HK\$10.4 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 2020.

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 2020.

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 2020.

CHARGE ON GROUP ASSETS

At 30 June 2020, there is no charge on assets of Group (31 December 2019: nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 9.3% as at 30 June 2020 (31 December 2019: 13.4%).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period of the Group.

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 2020, 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	4,500,000	0.88
Chang Wei Wen (<i>Note 1</i>)	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu (<i>Note 1</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.68
Independent Non-executive Director					
Chan Siu Wing, Raymond (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09

Notes:

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

Save as disclosed above, as at 30 June 2020, 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 2020, 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. <i>(Note 1)</i>	Beneficial	Long	62,332,512	11.87
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	93,919,012	17.88

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 2020, 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 carrying voting 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	At 1 January 2020	Granted during the period	At 30 June 2020	Date of grant	Exercisable period	Exercise price HK\$
<u>Directors</u>						
Lily Wu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chan Siu Wing, Raymond (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	<hr/>		<hr/>			
	14,850,000		14,850,000			
<u>Other employees</u>						
In aggregate (Note 1)	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	<hr/>		<hr/>			
	<u>37,629,250</u>		<u>37,629,250</u>			

Note:

- As at 30 June 2020, the remaining life was about 7.51 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 2020 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 2020, 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 2020.

COMPETING INTERESTS

As at 30 June 2020, 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 2020.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 11 August 2020

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.